

1961 Cars: Smaller, lighter, cleaner

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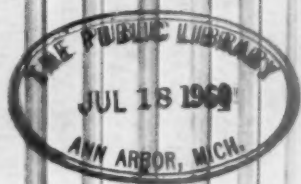
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BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

JULY 16, 1960



Says William C. Decker of Corning Glass:
"The more you become a consumer company,
the more your fate is in your own hands."
(Marketing)

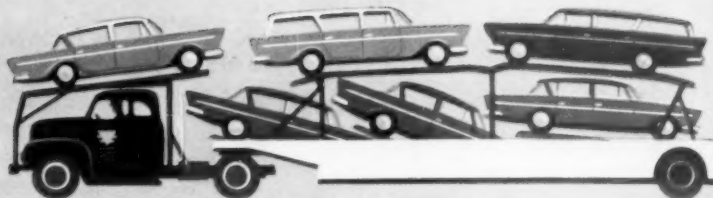
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**"National Accounting Machines save us \$35,890 a year ...
return 97% annually on our investment."**

—KENOSHA AUTO TRANSPORT CORPORATION, Kenosha, Wisconsin

"Our National Accounting Machines paid for themselves in one year and two weeks. Now, these savings continue each year as part of our profit.

"Our modern National System does a complete accounting job. We use it for Payroll Processing and Preparation—including actual check writing, Driver-Owner Statements, itemized Fuel Reports, Posting, check writing for Accounts Payable, and our General Ledger. Our records are accurate and current—making them available for analysis at any time.

"Besides being flexible, our National System is dependable and easy to operate. The machines require a minimum of training time, and their endurance keeps them operating perfectly around the clock.

"We estimate that our Nationals save us \$35,890 a year, returning 97% annually on our investment."

J. E. Nichols

Vice-President and Treasurer
of Kenosha Auto Transport Corporation

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GENERAL BUSINESS

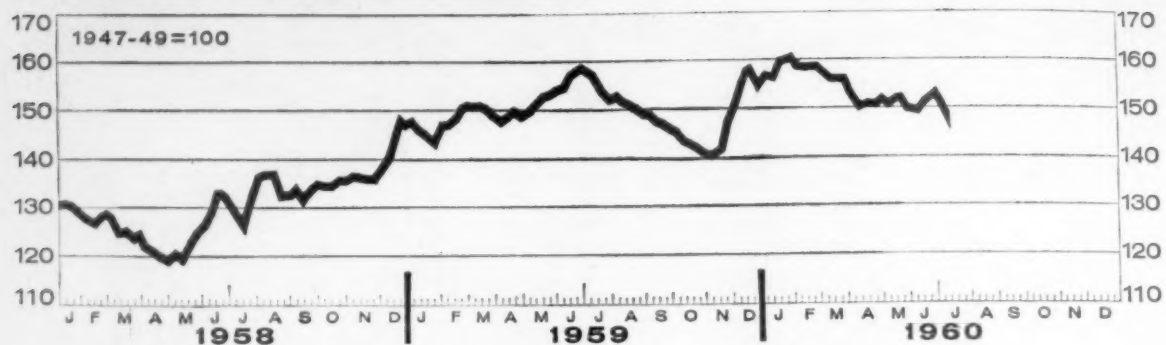
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BUSINESS WEEK INDEX (chart)

1953-55 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
133.3	157.4	151.9	151.4r	149.0*

PRODUCTION

Steel ingot (thous. of tons).....	2,032	1,097	1,775	1,203r	1,513
Automobiles.....	125,553	123,147	139,423	125,868r	90,799
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$52,412	\$86,563	\$91,407	\$97,672	\$98,451
Electric power (millions of kilowatt-hours).....	10,819	13,502	13,766	14,247	13,031
Crude oil and condensate (daily av., thous. of bbl.).....	6,536	6,802	6,772	6,811r	6,831
Bituminous coal (daily av., thous. of tons).....	1,455	1,840	1,428	1,564r	1,760
Paperboard (tons).....	247,488	180,359	327,206	308,618	174,810

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	70	66	58	57	62
Carloadings: all others (daily av., thous. of cars).....	47	46	47	50	37
Department store sales index (1947-49 = 100, not seasonally adjusted).....	121	109	131	124	125
Business failures (Dun & Bradstreet, number).....	198	237	283	278	271

PRICES

Industrial raw materials, daily index (BLS, 1947-49 = 100).....	89.2	92.3	91.9	91.0	90.9
Foodstuffs, daily index (BLS, 1947-49 = 100).....	90.5	79.0	77.1	77.5	78.3
Print cloth (spot and nearby, yd.).....	19.8¢	19.5¢	21.1¢	21.1¢	21.0¢
Finished steel, index (BLS, 1947-49 = 100).....	143.9	186.7	186.6	186.6	186.6
Scrap steel composite (Iron Age, ton).....	\$36.10	\$39.17	\$31.50	\$31.00	\$31.17
Copper (electrolytic, delivered price, E&MJ, lb.).....	32.39¢	30.66¢	33.00¢	33.00¢	33.00¢
Aluminum, primary pig (U. S. del., E&MJ, lb.).....	20.6¢	24.7¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc (U. S. del., E&MJ, lb.).....	††	23.85¢	24.07¢	24.14¢	24.03¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.34	\$1.94	\$1.98	\$1.84	\$1.89
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	34.57¢	33.84¢	32.25¢	32.24¢	32.20¢
Wool tops (Boston, lb.).....	\$1.96	\$1.88	\$1.67	\$1.67	\$1.67

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	31.64	59.69	57.89	56.99	56.77
Medium grade corporate bond yield (Baa issues, Moody's).....	3.59%	5.09%	5.25%	5.28%	5.27%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	2-2½%	4%	4%	3½%	3½%

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††	60,498	58,510	58,649r	57,646
Total loans and investments, reporting member banks.....	††	104,383	102,636	103,424r	103,282
Commercial, industrial, and agricultural loans, reporting member banks....	††	29,327	31,920	32,597r	32,403
U. S. gov't guaranteed obligations held, reporting member banks.....	††	30,061	25,774	25,359	25,266
Total federal reserve credit outstanding.....		26,424	28,319	27,575	27,739

MONTHLY FIGURES OF THE WEEK

	1953-55 Average	Year Ago	Month Ago	Latest Month	
Employment (in millions).....	June.....	62.2	67.3	67.2	68.6
Unemployment (in millions).....	June.....	2.5	4.0	3.5	4.4
Average weekly earnings in manufacturing.....	June.....	\$73.36	\$91.17	\$91.37	\$91.60
Retail sales (seasonally adjusted, in billions).....	June.....	\$14.5	\$18.2	\$18.6	\$18.7
Exports (in millions).....	May.....	\$1,290	\$1,551	\$1,823	\$1,792

* Preliminary, week ended July 9, 1960.

†† Not available.

r Revised.

* Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Herb Kratovil; 25—WW; 28, 29—John Coneen; 30—Herb Kratovil, UPI; 47—(left) GE, (right) Westinghouse; 68-69—Herb Kratovil; 84—Terry Luke; 97—Standard Oil of Indiana; 102—Hughes Aircraft Co.; 113—Jack Fuller; 115—Eastfoto; 119—Herb Kratovil; 136-137—Herb Kratovil; 144—(top) Vitro Lab., (bot.) Standard Conveyor Co.

In commerce and industry today no blueprints for new construction, no plans for remodeling can ignore the concept of traffic flow as an integral function of architecture. One of the boldest expressions of this idea in years is the American Air Curtain.



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BUSINESS WEEK • JULY 16, 1960 • NUMBER 1611

Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder. **PUBLICATION OFFICE:** 330 West 42nd Street, N. Y. 36, N. Y. See panel below for directions regarding subscriptions or change of address. **EXECUTIVE, EDITORIAL, CIRCULATION AND ADVERTISING OFFICES:** McGraw-Hill Building, 330 West 42nd Street, N. Y. 36, N. Y. **OFFICERS OF THE CORPORATION:** Donald C. McGraw, President; Joseph A. Gerardi, Hugh J. Kelly, Harry L. Waddell, Executive Vice Presidents; L. Keith Goodrich, Vice President and Treasurer; John J. Cooke, Secretary. **OFFICERS OF THE PUBLICATIONS DIVISION:** Nelson L. Bond, President; Shelton Fisher, Wallace F. Traendly, Senior Vice Presidents; John R. Callahan, Vice President and Editorial Director; Joseph H. Allen, Vice President and Director of Advertising Sales; A. R. Venezian, Vice President and Circulation Coordinator. Subscriptions to Business Week are solicited only from management men in business and industry. **POSITION AND COMPANY CONNECTION MUST BE INDICATED ON SUBSCRIPTION ORDERS. SEND TO ADDRESS SHOWN IN BOX BELOW.** United States subscription rates for individuals in the field of the publication, \$6 per year, single copies 50¢. Canadian and foreign rates on request. **UNCONDITIONAL GUARANTEE:** The publisher, upon written request from any subscriber to our New York office, agrees to refund the unearned part of the subscription price applying to the remaining unfiled portion of the subscription. Second class postage paid at N. Y. 1, N. Y. and at Albany, N. Y. Printed in U. S. A. Title registered in U. S. Patent Office. © Copyright 1960 by McGraw-Hill Publishing Co., Inc. All rights reserved.

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READERS REPORT

Two Fine Stories

Dear Sir:

Congratulations on the alertness of BUSINESS WEEK to the fact that . . . we are in a changing world and the shareholders are rapidly coming of age.

Fortunately, I note many evidences that progressive management is glad rather than sorry now that the initial shocks are wearing off.

My comments come about because twice in recent weeks you have hit the bull's eye—first the excellent story on the Annual Meetings . . . [BW—May 28'60, p 165] and now the piece on the greatest Commissioner of Corporations in recent years—Mr. John G. Sobieski of California [BW—Jun. 25'60, p 113]. . . .

LEWIS D. GILBERT

NEW YORK, N. Y.

A Time for Courage!

Dear Sir:

We disagree fully with your editorial [BW—Jun. 25'60, p 184] relative to Japanese imports.

If the U. S. policy is to "turn the other cheek" every time we are attacked, the future of this country will be dismal indeed.

This is a time for courage. How about it?

GEORGE P. BYRNE

INDUSTRY SERVICE BUREAU
NEW YORK, N. Y.

• The editorial in question said, in part: "To raise more trade barriers than already exist would play smack into the Communists' hands. If we shut out their goods, Japan may be forced to turn to Red China and Russia. . . ."

We still consider this sound reasoning. This is certainly a time for courage. It is also time for common sense.

Lie Detectors Banned

Dear Sir:

With reference to the article entitled Business Uses the Lie Detector [BW—Jun. 18'60, p 98], I am sure your readers will be interested to know that, in Massachusetts, the use of lie detectors for employees as a condition of employment or continued employment was prohibited by Chapter 255 of the Acts of 1959.

RALPH M. GOLDSTEIN

ATTORNEY
BOSTON, MASS.



New S. S. Kresge Variety Store, Haddonfield, N. J. Consulting Engineer: Charles Barrows, Levittown, Pa.; Air Conditioning Contractor: John P. Murdoch Co., Philadelphia, Pa.

Chrysler Air Conditioning says "welcome" 1500 times a day at new S. S. Kresge store!

S. S. Kresge Variety Stores do a land-office business in everything from balloons to barbecues. No exception is Kresge's new store (in the Ellisburg Circle Shopping Center) where Chrysler Air Conditioning bids a cool welcome to an average of 1500 shoppers daily.

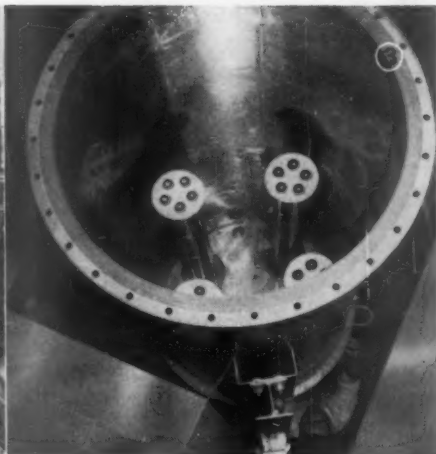
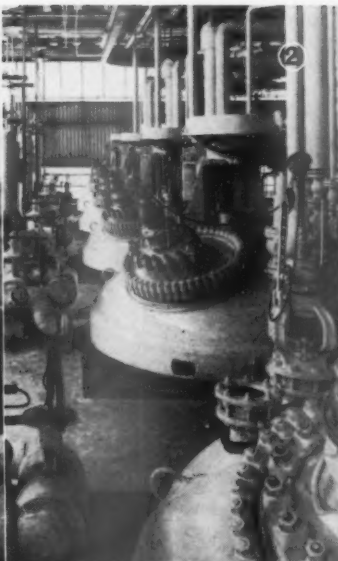
With that number of people passing through the entrance doors—plus the fact that the entire front of the store is a continuous expanse of glass—it takes 70 tons of air conditioning to cool the 16,800 sq. ft. sales area.

At the heart of the system is a Chrysler compressor mounted atop a raised floor to the rear. Installing the equipment above ground level provides room for storage beneath, thus answering another demand that all space be used to best advantage.

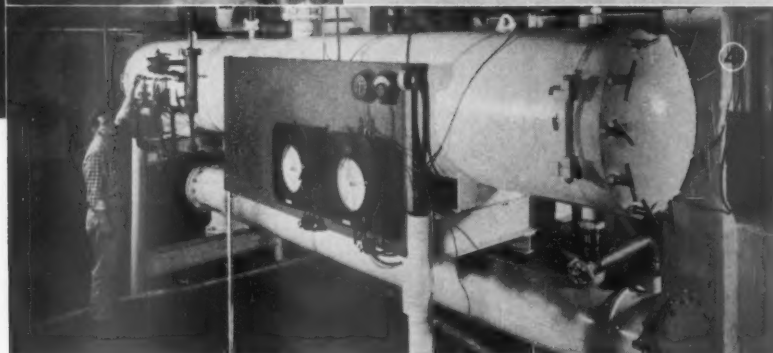
Chrysler efficiency, compactness, and flexibility as demonstrated here will solve your air conditioning problems. Certainly, like Kresge, you want lowest possible cost. For all the facts and figures on Climate by Chrysler, write today.



Airtemp Division, Chrysler Corporation, Dept. C-70, Dayton 1, Ohio
In Canada: Therm-O-Rite Products, Ltd., Toronto, Ontario



FLUIDICS AT WORK



The conquest of corrosion

Junk—equipment you have to scrap (photo 1) *before* it has reached its expected service life—is one of the high costs of corrosion.

But you're also paying too much for corrosion if it costs you a single man-hour for unnecessary maintenance. Or, if you lose production due to even minute contamination.

How to fight back? To eliminate such high costs of corrosion, you need *both* the right material of construction and a full understanding of how and where to use it. This is precisely what you start with when you turn to our

Pfautler Division, where many years have been devoted to an intensive corrosion engineering program for the process industries.

Pfautler designs and fabricates from a wide range of materials; thus you are sure of getting a completely objective recommendation—based on the realization that no one material will solve all corrosion problems.

Glass on steel. One of the most versatile of the corrosion-resistant materials is Pfautler® Glasteel. It provides you with the corrosion resistance of glass inside, the working strength of steel outside. In the chemical industry (photo 2), Glasteel has for years successfully solved the problems encountered in handling and processing harsh acids and alkalis.

Enter the "new" metals. For extremely severe service, you can now put the exceptional corrosion resistance of tantalum, titanium

and zirconium to work.

Pfautler has pioneered in the fabrication of these difficult-to-work metals and today makes available large reactors (photo 3), along with other production-size unit-operations equipment.

Stainless and other alloys. Stainless steel (photo 4), along with nickel, Monel, Inconel, and Hastelloy, often turns out to be the most logical choice. In such cases Pfautler will recommend and fabricate accordingly.

FLUIDICS and you. The conquest of corrosion is one accomplishment of Fluidics, the Pfautler Permutit program that helps industries handle liquids and gases more profitably.

If you'd like to know more about our corrosion engineering service, or take a look at the broad scope of Fluidics, please write to our Pfautler Division, Dept. BW-70, Rochester 3, New York.



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poor tire performance
and premature failure
when . . .

BUYING THE RIGHT TRUCK TIRE IS AS EASY AS B-F-G

NO DOUBT ABOUT IT—the right truck tire for you depends on what you haul, where you haul it, and what you haul it in. In many cases, it also depends on where the tire is—drive, front or trailer wheel.

The next time you need truck tires, discuss the problem with your B.F. Goodrich dealer (listed under Tires in the Yellow Pages). He knows his BFG tires and the work they're built to do (just about any trucking job you can name because B.F. Goodrich makes tubeless and tube-type tires, Tyrex and nylon tires, tires with rib treads, traction treads, special compounds, breaker strips—even tires with steel cords).

Buying the right truck tire is as easy as following your BFG dealer's recommendations. You'll be dollars and miles ahead—no doubt about it. *The B.F. Goodrich Company, Akron 18, Ohio.*



IN THE ROUGH

Heavy loads on rutted roads—or no roads at all. Highway delivery work, too. Put B.F. Goodrich All-Purpose tires on drive wheels. Massive cleats for traction in the rough, thick ribs for mileage on the highway, nylon cords for extra strength. The Power Express tire is fine for front wheels.





ON THE TOWN

Lots of stop and go driving. Lots of curb rubbing. Lots of abuse, day in, day out. Just the job for B.F. Goodrich Power Express tires (they come on new trucks). Hundreds of tread edges resist skids. Available in BFG tubeless construction, too, for added puncture and bruise-blowout protection



ACROSS THE COUNTRY

Long distance, high speed highway hauling. Constant pounding. You need a premium-quality tire — the B.F. Goodrich "100,000-mile" Traction Express on drive wheels. BFG Flex-Rite Nylon cords withstand impacts, can be retreaded again and again. For front and trailer wheels, use the BFG extra-tread Super Express.



KEEP YOUR TRUCKS ON THE ROAD
AND OUT OF THE SHOP!



NO INVESTMENT...NO UPKEEP

LEASE HERTZ

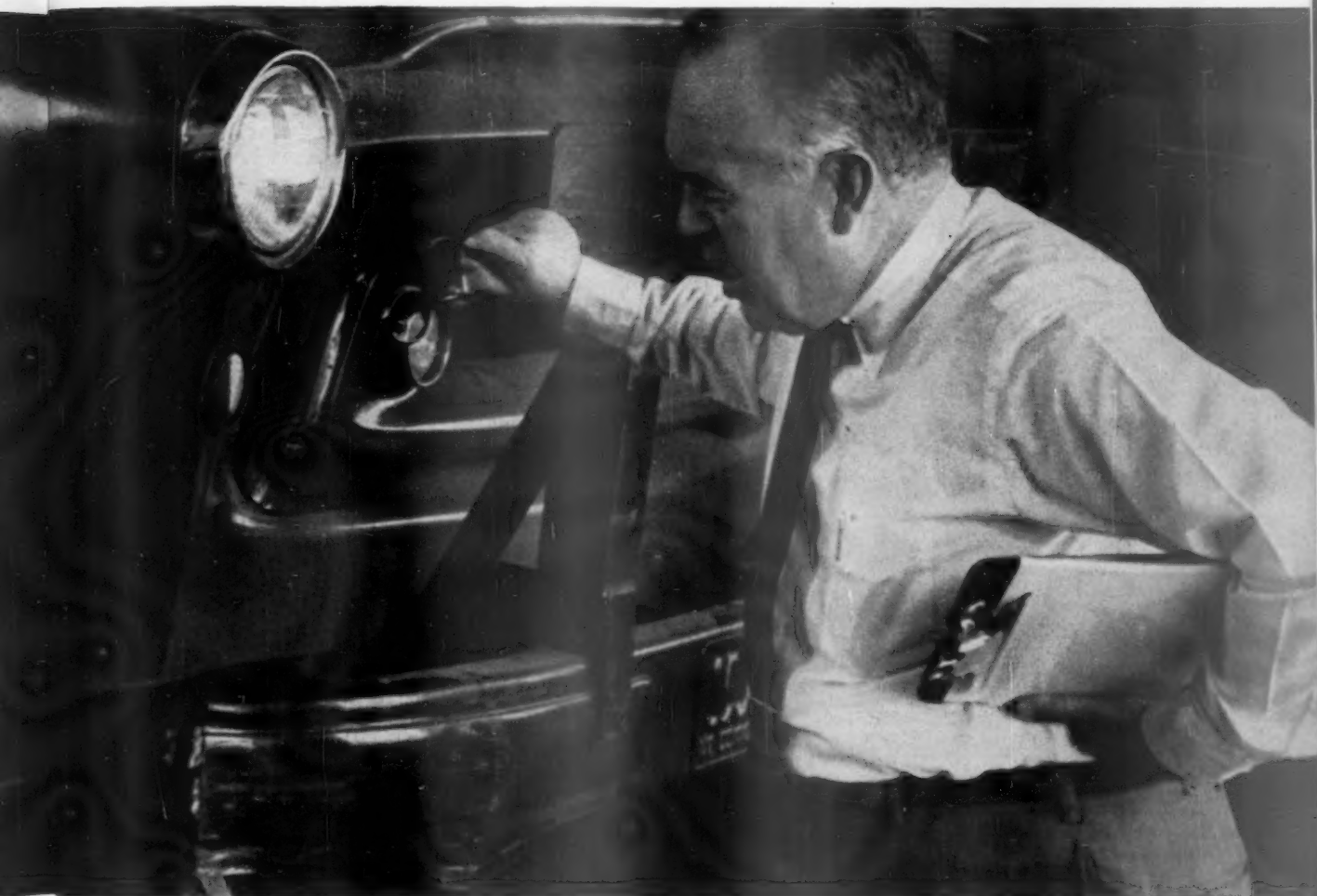
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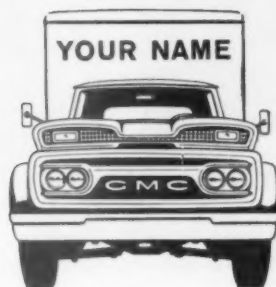
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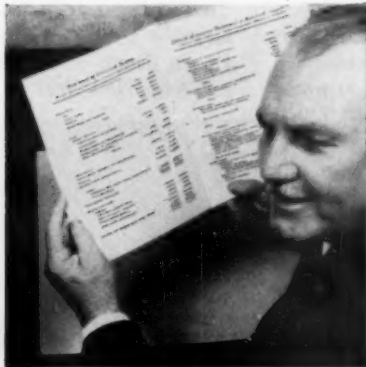
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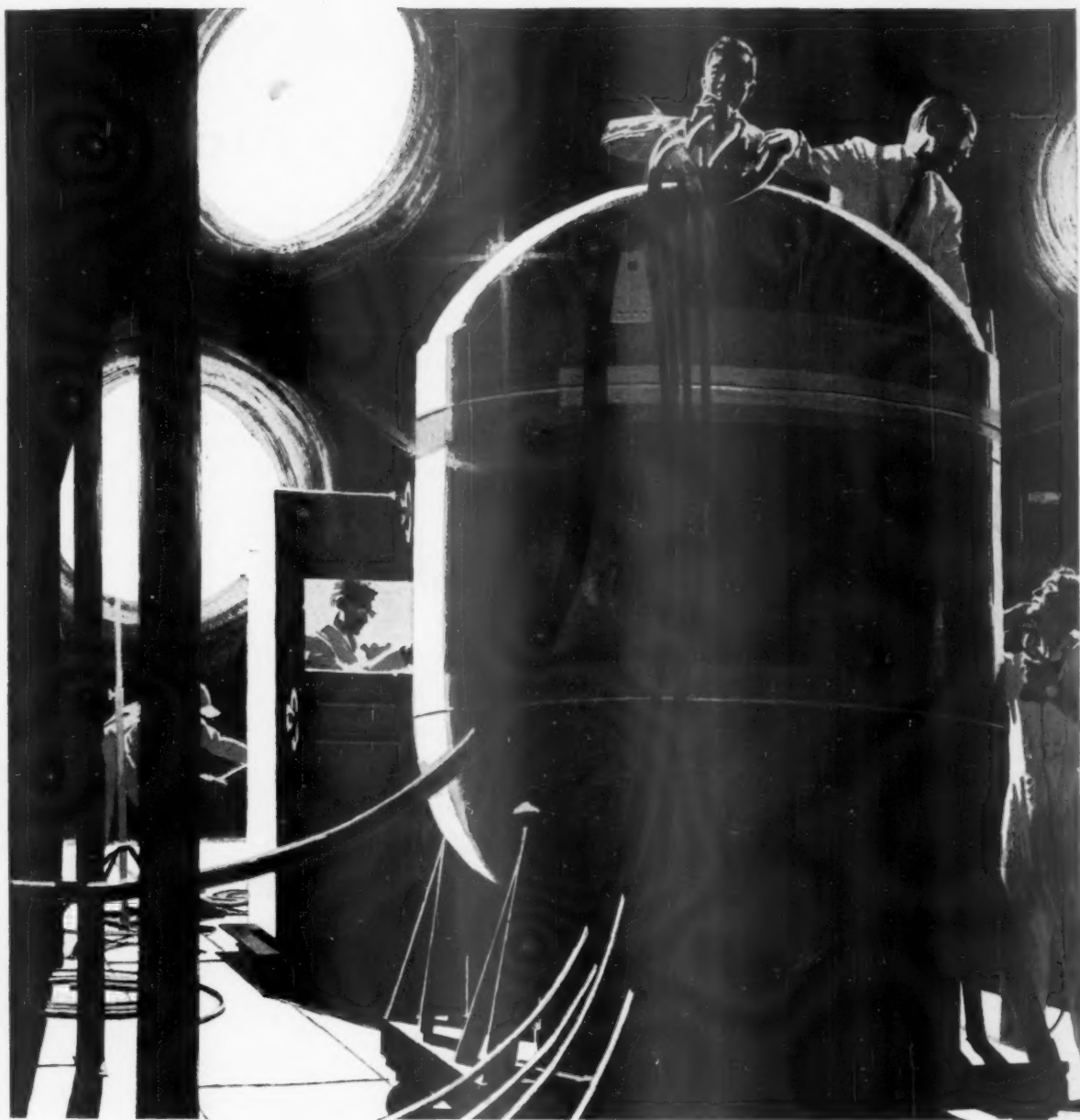
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Dinner pail for a rocket

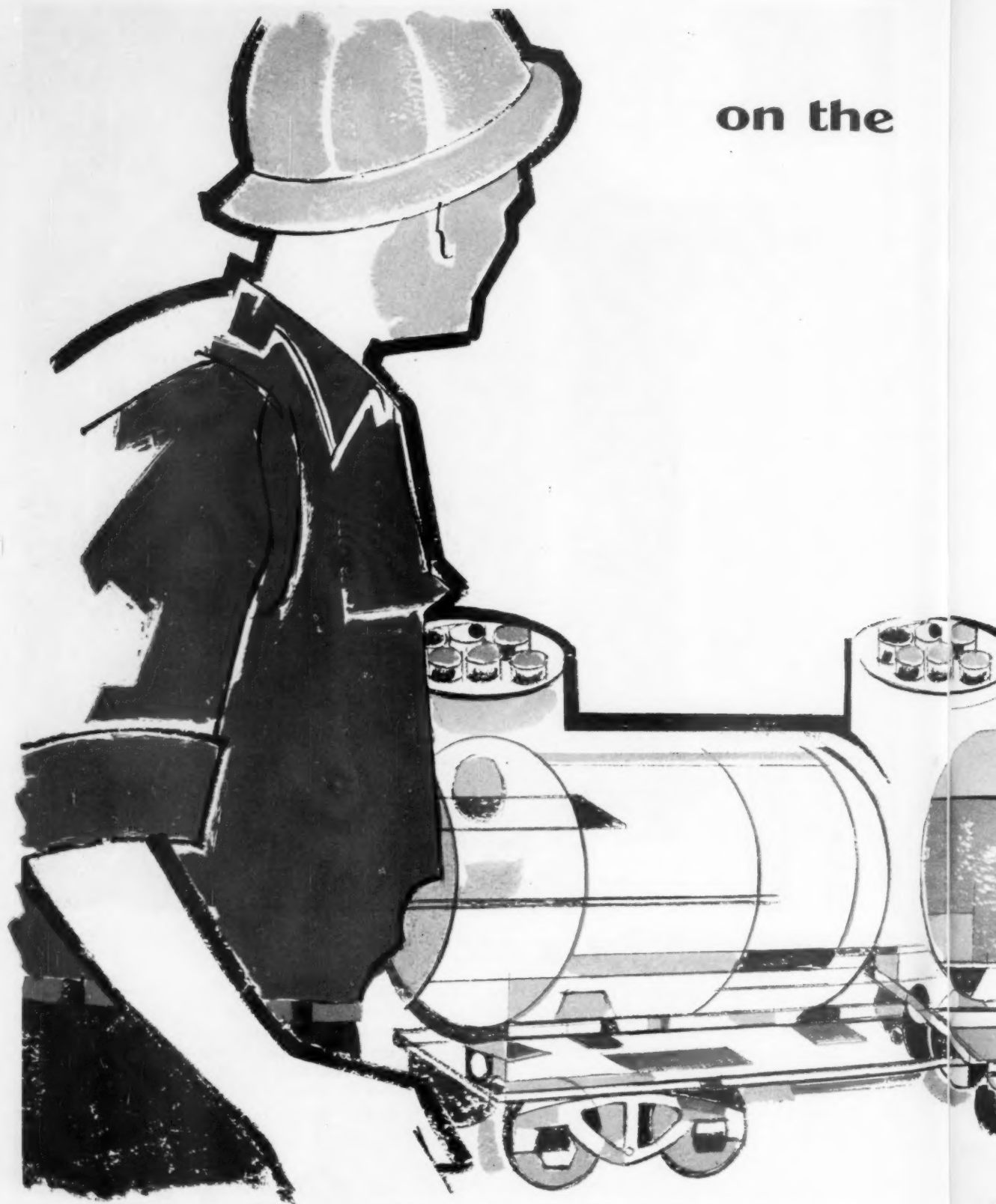
To carry enough solid propellant fuel to feed the insatiable appetite of a huge rocket motor, Budd's SpaceAtoms Division designed and built this cylindrical all-welded case using a special stainless steel alloy. Here, it is being readied for a burst test. Taped to the tank are two products of our Instruments Division: PhotoStress, a unique stress analysis method which

translates strains into visible color-patterns . . . and MetalFilm strain gages which record stresses electrically. This project, being carried on in our Testing Laboratories, illustrates several of our diversified interests and how they can be coordinated to work in *one* direction. Actually, Budd interests work in many directions . . . *to make tomorrow today.*

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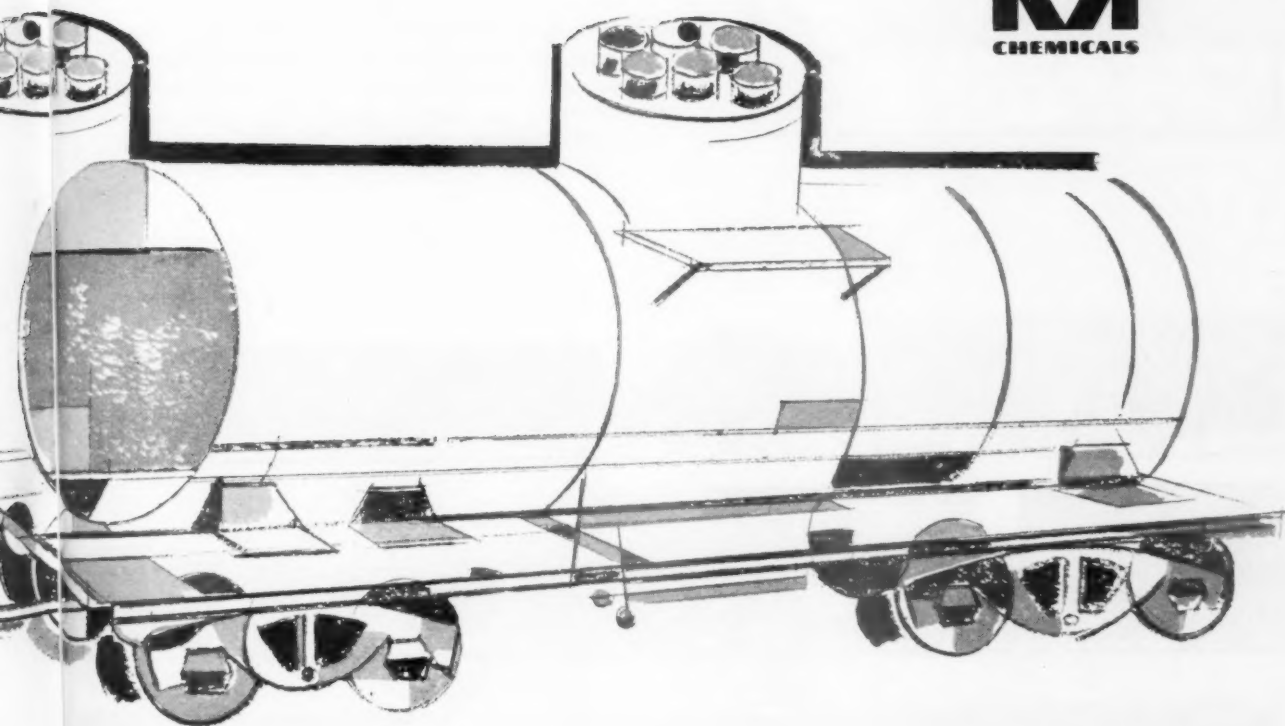
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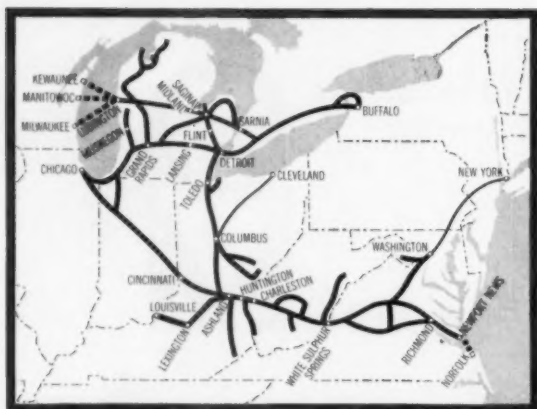
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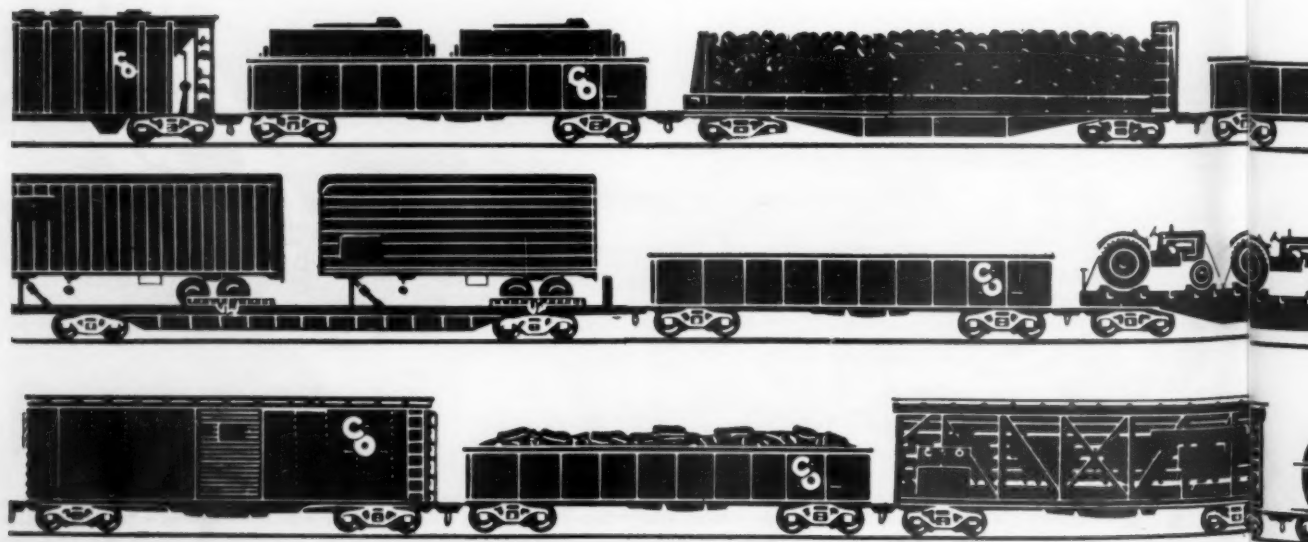
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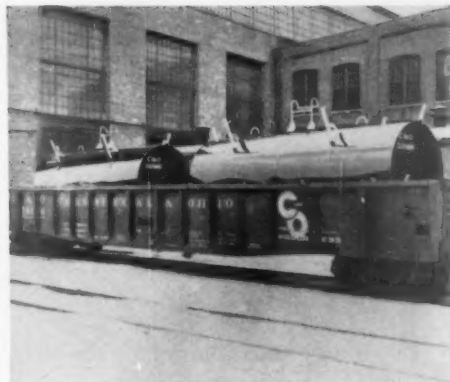
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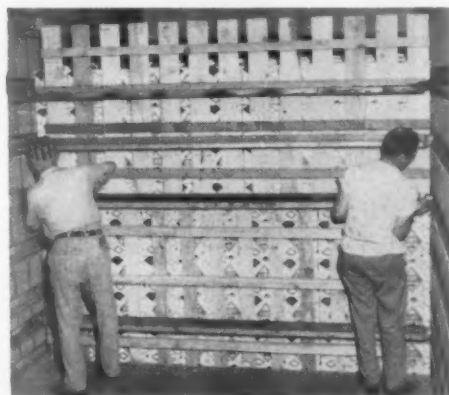
Your resourceful C&O representative will welcome an opportunity to prove the advantages of shipping via The Chessie Route.



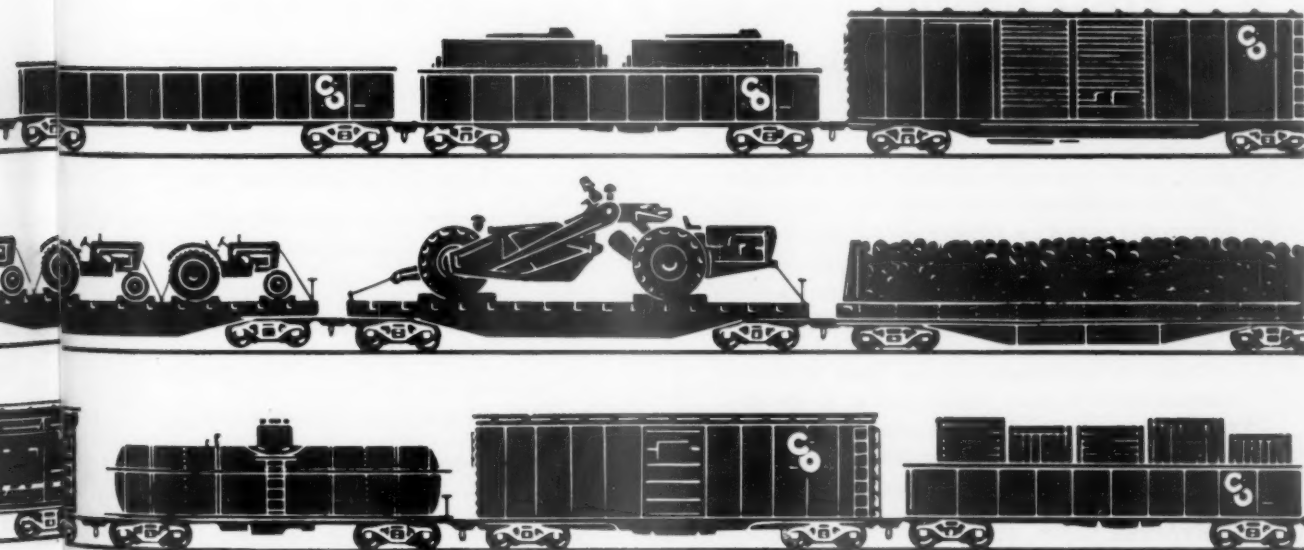
Chesapeake and Ohio Railway

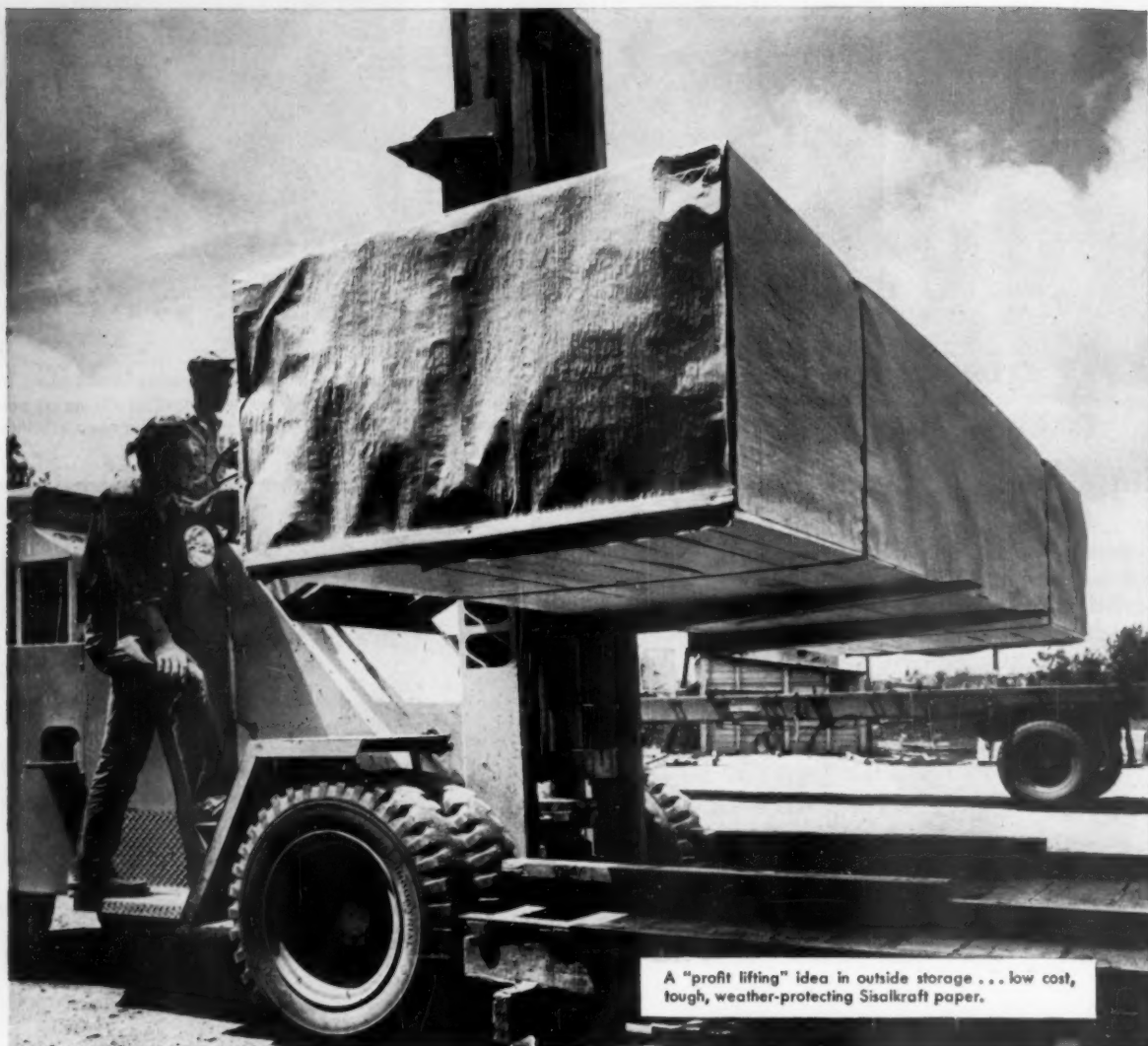
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BUSINESS OUTLOOK

BUSINESS WEEK

JULY 16, 1960



The American economy continues to run at a very high rate.

The only shortcomings (if, indeed, they are entitled to be called shortcomings) are comparisons with the what-might-have-beens.

June broke all employment records and the mid-summer peak will be higher still. And 1960 retail sales are on the way to a new high.

—•—

Sales of all types of retail establishments broke all the old records, either for a quarter or a half year.

The quarter just ended is estimated at \$56.1-billion (on a seasonally adjusted basis). That was 3.2% higher than last year's second quarter (which, incidentally, was 1959's best quarter).

For the six months, volume is estimated at \$110.6-billion, about \$3.3-billion higher than the same period last year.

On a month-by-month basis, April with its late Easter takes the honors with seasonally adjusted retail sales of nearly \$18.9-billion.

However, May's total went above \$18½-billion on revision of the preliminary data. And the flash report puts the June figure close to \$18.7-billion (while revision probably will raise that, too).

Any one of these figures comfortably tops the best 1959 month.

Sales of softgoods in each second-quarter month varies but little from \$12½-billion, yielding a \$37½-billion three-month total.

Hardgoods, on the other hand, showed less uniformity, ending the quarter only very slightly ahead of 1959, the Commerce Dept. estimates. In fact, sales of autos and automotive products in May and June are placed ever so slightly below the same months last year.

If there was such a lag, it must be blamed on used cars and on lower price tags, because new cars ran 10% ahead on unit volume.

Barring a second-half downturn in employment and personal income—in other words, the onset of a recession—retail sales now seem certain to go over \$222-billion for this year. That would top last year's record by about \$7-billion or nearly 3½%.

—•—

You can put just about any interpretation your mood dictates on the employment-unemployment figures for last month.

The salient facts are these: (1) Employment at the time of the June count was substantially higher than it had ever been before in any month. (2) Jobs, even so, weren't so plentiful as might have been hoped; unemployment rose more than seasonally.

Jobholders totaled 68,579,000 in June, a gain of nearly 1.4-million in a month and almost a million above the old high last July.

This betokens a midsummer peak of 68¾-million or more.

June always is a month in which the labor force grows sharply as schools

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
JULY 16, 1960

let out and seasonal workers seek temporary jobs. But this year the numbers swelled as never before.

Last year, between May and June, about 1.9-million people came into the job market; this year the figure was 2.3-million.

This gives us a total 1.7-million higher than a year ago.

There were 73-million people working or looking for work last month. Nearly 1.4-million of the additional people found jobs, but the 960,000 who didn't pushed unemployment up to 4,423,000.

Last month's unprecedented growth in the labor force isn't hard to explain: **The labor market is beginning to be buffeted by that wave of postwar births—a wave that will grow with the years.**

The rise in the labor force last month traces largely to 2.2-million youngsters in the 14 to 19 age bracket. Some are seeking steady work for the first time, most just jobs for the summer.

How are the teenage workers faring? Here are the key figures:

Out of 16.1-million in the 14-19 age bracket (up from 15½-million a year ago) almost 7.8-million were in the labor market last month (up from 5.6-million in May and 7.1-million a year ago).

Just over 6.2-million had jobs (1.4-million more than in May and 440,000 more than the year before).

Unemployed teenagers totaled 1,569,000 (about double the number out of work in May and 250,000 more than a year ago).

Here's another labor market footnote arising from the teenage wave: With the proportion of teenage entrants larger each year in relation to the total labor force, **seasonal adjustments lose meaning.**

Thus, total unemployment last month, on the old basis of reckoning, was a seasonally adjusted 5½% of the labor force against 4.9% the month before. But 5½% probably overstates the case under the changed conditions now making themselves felt.

You will note that **teenagers make up more than one-third of the June jobless.** And you know a lot of them don't really have to work.

—•—

Are list prices being marked down to more realistic levels?

McGraw-Hill's Purchasing Week finds that this is going on in a fairly broad range of materials and manufactured goods. **Discounts and concessions have been making a shambles of "book" prices.**

Such shading, until recently, generally has been of a type that isn't reflected at all in the standard price indexes.


Extensive revision of prices has been going on in electrical equipment and electronic components, fasteners, brass mill products, plumbing supplies, and steel at the warehouse level, Purchasing Week reports. Plywood and numerous chemicals might also be included.

This is a natural outcome of today's tooth-and-nail competition. Old prices don't even afford a logical starting point for bargaining.

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It's Kennedy for the Democrats

Los Angeles convention picks the Massachusetts senator (right) as its bright hope to win a White House campaign that will hit economic issues hard.

Sen. John F. Kennedy, who began running for the job 2½ years ago and who was the leader all the way, won the Democratic nomination for the Presidency this week—the youngest man and the second Roman Catholic in the nation's history to do so.

On Wednesday night, in klieg-lighted Los Angeles Sports Arena, the end came with a dramatic flourish on the first ballot. Before the tumultuous crowd of delegates made Kennedy's nomination unanimous by acclamation, the glamorous young senator had easily surpassed the 761 votes needed to win. At the end of the roll call of states, he had 806 votes compared with 408½ for his only strong competitor, Senate Majority Leader Lyndon B. Johnson of Texas.

• **"Stop Kennedy" Stopped**—The nomination actually had been won during the days immediately prior to the balloting. At conferences in downtown Los Angeles hotel rooms, Kennedy forces were able to thwart the "Stop Kennedy" drive. The anti-Kennedy forces never were able to get together; Kennedy came to Los Angeles too far ahead to be turned back.

I. Prophet of Recession

Even as he won the coveted nomination, Kennedy joined the swelling ranks of those publicly forecasting economic recession just around the corner. By Kennedy's own estimate, however, no economic downturn clearly labeled recession will be in evidence until after the election in November—and probably not until the early months of a new Administration.

In fact, Kennedy expects that Vice-Pres. Richard M. Nixon, his apparent Republican opponent, will be able to campaign this fall in an atmosphere favorable to the GOP from a strategic viewpoint: general prosperity. As Kennedy figures it, there will even be a temporary and misleading lift in the economy around election time, stimu-



lated in large measure by a rise in auto sales.

• **Countermeasures**—To offset this, Kennedy intends to dwell at length on danger signals that are making themselves clear—specifically, unemployment at 4-million-plus, steel capacity that is hovering around 55% of capacity and may decline further.

His theme will be that "this summer looks like the summer of 1957 all over again." That season was the prelude to the recession that hit heavily in 1958. Against this backdrop, Kennedy is prepared to plead his case for strong executive leadership and aggressive federal intervention in the economy.

II. Kennedy's Course

How would Kennedy behave if he were President now? On this score, he sounds pretty much like the Democratic rivals he routed to win the nomination. He blames the uncertain economic outlook on two parts of the Eisenhower Administration's program: tight money and the budgetary conservatism that has been used to fend off new or expanded spending programs promoted by Democrats in Congress.

Kennedy says he would put \$2.5-billion to \$3-billion more immediately into defense spending—a gambit that would simultaneously prime the economic pump and step up production of missiles and construction of missile launching bases.

Kennedy never has been timid about citing the possibility that federal taxes may have to be raised, but he has always attached vague conditional phrases suggesting that no such bridge should be crossed in advance.

• **Time to Act?**—With economic warning flags run up and at least a five-month lag in Atlas missile base construction acknowledged by the Pentagon, Kennedy this week began suggesting that the nation may be on the approaches to that bridge. If a tax increase is necessary to get the job done, Kennedy says he is in favor of a tax increase now.

All this fits neatly into Kennedy's basic approach to the 1960s. "I do not think that either political party should go to the American people promising them that life is going to be easier and softer," he says. He does not go so far or sound so gloomy as Adlai E. Stevenson in prescribing austerity as part of the price of national survival. But Kennedy emphatically does not encourage labor leaders or theoreticians who want or forecast a shorter work week. He is dead set against it.

III. The Coming Campaign

One firm conclusion comes from a study of the Kennedy record—his votes in the Senate and his policy statements

and speeches during the long campaign building up to the nomination. In the coming campaign, Kennedy aims to illuminate the philosophical differences between the two major political parties.

Some politicians and many political observers feel that, as it develops, the campaign may block Kennedy's lofty ambition. They suspect, for example, that the senator will be distracted by the need to combat voter antipathy or suspicion aroused by either his relatively tender age (43) or his Roman Catholicism. The latter particularly is viewed by many of the Democratic pros, a large number of them Catholics, as something that may hurt in the South, the border states, and some other "swing" states such as Indiana.

Kennedy, with the nomination in his pocket, recognizes his religion will be a matter of "continuing interest"—meaning that, as in West Virginia, he intends to meet the problem with head-on, above-board discussion.

• **Desired Image**—But Kennedy's ambition is to devote himself mainly to campaigning on basic issues relating to national policy. Cutting through to central facts, this is the image of the Presidential hopeful that will emerge as the campaign wears on:

- He and his Republican opponent will agree on the need for a steady expansion of the American economy, but Kennedy will put more emphasis on higher wages and fuller employment as the primary tools and less on tax policy and other investment incentives.

- There will be a strong emphasis on primary federal responsibility in such things as aiding education, expanding social security to include medical insurance for the aged, raising minimum wages, shoring up the farm economy, stimulating homebuilding, speeding urban redevelopment, and development of natural resources.

Kennedy agrees with those Democrats who think the Eisenhower monetary and fiscal policies should be a primary issue in the campaign. If he should win, one of his first moves would probably be to exert executive influence to reverse the current policies.

He gives assurances that he is dedicated to the idea of a Federal Reserve Board independent of the Treasury Dept. But simultaneously he leaves the impression that he would not be reluctant to bring it under White House domination, in fact if not on the bureaucratic organizational charts.

IV. How Kennedy Won

Kennedy bagged the nomination the hard way. As one mere senator—and a junior one, at that—he possessed no great national base of power when, in 1958, he began his drive for the Presidential nomination.

Two things happened that year to help him. First, he won reelection in Massachusetts by an 875,000-vote margin, breaking all the state's political popularity records. (Kennedy had a brief touch of the national limelight at the 1956 Democratic convention, when he came within 68 votes of winning the Vice-Presidential nomination, but the 1958 victory is regarded as the big spur to his decision to try for the No. 1 job this year.)

Second, he began his stormy but successful courtship of organized labor. He endeared himself to much of the public by inciting the wrath of Teamster boss James R. Hoffa. Later, Kennedy ingratiated himself with the AFL-CIO national leaders by fighting their battle when Congress threatened to turn his mild reform measure into a punitive antilabor bill.

In strict political terms, it matters very little that Kennedy only partly succeeded in his efforts to keep the labor bill moderate. This week only Hoffa, among all major labor leaders, is violently opposed to Kennedy, and most of the AFL-CIO union chieftains were in Kennedy's corner well before the nomination fell to him.

• **Campaign Glory**—But perhaps Kennedy's biggest break was Sen. Hubert H. Humphrey's decision to challenge him this spring in two key Presidential primaries—Wisconsin and West Virginia. Without major opposition, Kennedy could have proved nothing; with it, he sprang to sudden eminence as a hard campaigner and a glamorous vote-getter, though he was supposedly too wealthy, too young, an Easterner who would fail in the Midwest, and a Catholic who would fail in West Virginia.

Then Kennedy cashed in on the psychological advantages gained from the primaries. By this spring, he had put together one of the toughest, shrewdest political organizations ever assembled by a Presidential candidate seeking the office from the outside.

Key men in the Kennedy organization are Robert Kennedy, the senator's brother; John M. Bailey, the Democratic state chairman of Connecticut and a seasoned professional who works most effectively with his political peers in the smoke-filled room; and Ted Sorensen, a brilliant young Nebraskan who is the senator's principal speech writer and closest political adviser on issues of substance.

• **Tactics**—The methods varied according to the needs. Kennedy spent heavily to win the primaries he entered. In Ohio and Maryland, he won early support from the governors by threatening to enter the primary and embarrass the state executives by wresting away control of their delegations.

In the West, and even in the Deep South, remarkable organization work

cut into state delegations that logically should have been solid for Senate Majority Leader Lyndon B. Johnson of Texas. And in New Jersey, when lame-duck Gov. Robert B. Meyner declined to get on the Kennedy bandwagon early, the organization undermined him by dealing with two opposition Democratic bosses.

The entire pre-convention campaign was, by consensus of the Democrats assembled this week in Los Angeles, a remarkable testimonial to the political efficacy of three things—money, a smart and hard-hitting organization, and a candidate with that indefinable something called voter appeal.

V. Platform Came First

As Kennedy heads into the full-fledged Presidential campaign, he will officially be running on a platform that was drawn up as one of the first orders of business in Los Angeles. This year's planks form an aggressive document that lists to the political left (table, right).

Its general orientation is hardly surprising: The groundwork for it was laid months ago by the liberals who were in firm control of the convention. But it is surprising that the platform, unlike most of its predecessors, is so explicit on key questions.

• **Two Influences**—Nevertheless, even if a victorious Kennedy tried, he would be unable to reach many of the platform's goals. They are essentially the work of the labor and intellectual influences in the party, as opposed to the more conservative, Southern-dominated Democrats who would almost certainly hold the balance of power in Congress.

The 1960 platform is significant, though, in several ways. For one thing, it formally accepts as a Democratic Party goal the proposition that the national economy "can and must" grow 5% annually. This plank reflects the theories of Leon Keyserling, chief economic adviser to ex-Pres. Truman; Harvard economist John Kenneth Galbraith, who gives counsel to Kennedy; and organized labor.

• **What's Missing**—It's notable that several never-fulfilled promises of past platforms are absent.

For instance, there's no pledge of outright repeal of the Taft-Hartley Act. Also missing is the standard "we favor an increase in the present personal tax exemption of \$600 to a minimum of at least \$800." Elsewhere on taxes, though, the platform equivocates. On one hand, it calls for more money to boost defenses; on the other, it promises to work for arms control and an "orderly shift" in military spending to make possible "long-delayed reductions" in taxes. Finally, in a direct reflection of Kennedy's feeling, it holds out the possibility that taxes may rise.

Economic Planks in the Democratic Platform

ECONOMIC GROWTH

"... Our economy can and must grow at an average rate of 5% annually ..."

"As the first step in speeding economic growth, a Democratic President will put an end to the present high interest, tight money policy ..."

"The Democratic Party reaffirms its support of full employment as a paramount objective of national policy ... If recessionary trends appear we will act promptly with countermeasures such as public works or temporary tax cuts."

WORLD TRADE

"World trade is more than ever essential to world peace ... We shall expand world trade in every responsible way [but] trade-affected industries and communities need and deserve appropriate help ... such as direct loans, tax incentives, defense contract priorities, and retraining assistance."

TAXATION AND FISCAL MANAGEMENT

"Except in periods of recession or national emergency, needs at home and in our world relationships ... can be met with a balanced budget, with no increase in present tax rates, and with some surplus for the gradual reduction of our national debt ..."

"We shall collect the billions in taxes [now] lost each year because IRS does not have sufficient agents to follow up on tax evasion ..."

"We shall close the loopholes in tax laws [such as] depletion allowances which are inequitable, special consideration for recipients of dividend income, and deductions for extravagant business expenses ..."

LABOR

"We pledge to raise the minimum wage to \$1.25 an hour and to extend coverage to several million workers not now covered ..."

"We will repeal the authorization for right-to-work laws, limitations on the right to strike, to picket peacefully and to tell the public the facts of a labor dispute, and other anti-labor features of the Taft-Hartley and the 1959 [Landrum-Griffin] Act."

FARM

"The Democratic Administration will work to bring about full parity income for farmers in all segments of agriculture ... [through] production and marketing quotas measured in barrels, bushels, and bales, orderly land retirement and conservation, commodity loans on basic commodities at not less than 90% of parity ..."

SOCIAL WELFARE AND SOCIAL SECURITY

"We shall provide medical care benefits for the aged as part of the time-tested social security insurance system ... We will amend the Social Security Act to increase the retirement benefit for each additional year of work after 65 ... we favor the raising of the \$1,200-a-year ceiling on what a worker may earn while still drawing social security benefits ... Retirement benefits must be raised generally, and minimum benefits raised from \$33 to \$50 a month."

HOUSING

"We support a housing construction goal of more than 2-million homes a year. ... The homebuilding industry should be aided by special mortgage assistance, with low-interest rates, long-term mortgage periods and reduced downpayments. Where necessary, direct government loans should be provided. ... There will still be need for a substantial low-rent public housing program ..."

EDUCATION

"... America can meet its educational obligations only with general federal financial supports ... the assistance will take the form of grants ... for classroom construction and teacher salaries ... aid for construction of academic facilities as well as dormitories at colleges and universities."

DETROIT'S DEALER LINE-UP FOR 1961

These dealers will handle cars for these markets						
		SMALL IMPORT	COMPACT	LOW-MEDIUM	MEDIUM-LUXURY	TRUCKS
CHEVROLET			Corvair	Chevrolet, 3 series	Corvette	Compact & Regular
FORD			Falcon	Ford, 3 series	Thunderbird	Compact & Regular
PLYMOUTH			Valiant	Plymouth, 3 series	De Soto or Chrysler and Imperial	
DODGE	Simca	Lancer	Dart, 3 series	Dodge Polara	Regular	
MERCURY	British & German Fords	Comet	Mercury, 2 series	Mercury Monterey & Linc. Continental	English Compact	
PONTIAC	Vauxhall	Tempest	Pontiac, 2 series	Pontiac Star Chief & Bonneville		
BUICK	Opel	Special	Buick Le Sabre	Buick Invicta & Electra		
OLDSMOBILE		F-85	Olds 88	Olds Super 88, 98		
RAMBLER	Metropolitan	American	Rambler 6 & 8	Ambassador		
STUDEBAKER	DKW	Lark 6	Lark 8 & Hawk	Mercedes-Benz (Import)	Compact	

Duoded with GMC Truck at many points

Full-Line Franchise for '61 Cars

When Detroit puts its 1961 models on sale some 10 weeks hence—a little earlier than usual due to the opening of the National Auto Show Oct. 15—a sweeping change will take place in the marketing of automobiles.

For the first time, almost every dealer in the country will be able, if he wishes, to offer a complete line from small imports, through domestic compacts, to high-priced cars. Pontiac, Buick, Oldsmobile, Dodge, and Mercury dealers will compete right across the board with Ford, Chevrolet, and Plymouth sales organizations (chart).

Formerly, if the new car seeker wanted a "low-priced" car, he went to a Ford, Chevy, or Plymouth dealer; if he wanted a "medium-priced" car, he went to Pontiac, Dodge, Mercury, Buick, Olds, or Chrysler dealers. Now

the picture has changed—and with it, the product. For this reason, the motorist who wants to swap will have the biggest choice of nameplates and sizes since his dad put wheels under the family in the Roaring Twenties.

• **Segmented Market**—On top of this new marketing concept of the full-line dealer—a supermarket of one maker rather than a hodgepodge of competitors—Detroit's 1961 offerings have been influenced by what Ford calls the "segmented market." This means that auto makers believe there is profit to be made selling something different to each class of prospects rather than the same thing under different labels.

To meet this "segmented market," Detroit has had such special products as the rear-engined Corvair, the Corvette sports car, the five-place Studebaker

Hawk sports coupe, and the two-door, four-place Thunderbird.

In 1961, the industry will take further steps: a sporty four-cylinder compact from Pontiac, V-8 powered compacts from Buick and Olds, a more luxurious compact from Dodge, and a four-door, sporty, Thunderbird-like model from Lincoln.

In addition, most of the standard-sized cars will be shortened by whacking off overhang. And two traditional medium-priced makes—Mercury and Pontiac—will offer shorter wheelbase cars to compete with Ford, Chevy, Plymouth, and Dart.

• **Innovations**—The consumer will have his day, too. Cars will be easier to get in and out of, easier to sit in, easier to drive. They will require less maintenance and less parking space. Styling

is clean and crisp, colors subdued.

To answer criticism that some 1960 compacts lacked performance, the auto makers will make available—as extra cost options—slightly more powerful engines.

And some of the engineering and styling innovations introduced on this year's compacts—such as aluminum engine, rear transmission, four-wheel independent suspension, and alternating current generator—will gain wider acceptance in the new cars.

Here is a company-by-company summary of what you can expect in the 1961 models:

General Motors Corp.

All General Motors' full-sized cars will get a new roofline (sketch, right), eliminating the front-post "dog-leg." Cutting off overhang and rounding both ends will give a new, flat oval silhouette, with a high waistline like the Corvair. Better leg room in the front seat will be obtained by lowering the floor panels, as Buick did this year.

Chevrolet will introduce compact Corvair truck (right), bus, and station wagon models looking somewhat like the Volkswagen, though larger. Trunk space in the Corvair will be improved by moving both the heater and the spare tire. Corvairs will also be available with a 95-hp. engine and four-speed transmission. The standard Chevy has a new front grille, and you will hardly recognize the gull wings in the rear.

Pontiac will put on sale the compact Tempest, which utilizes the Corvair transaxle to eliminate the floor hump and has the first four-cylinder engine on a Big Three auto since the early 1930s. The Pontiac Four is ingeniously machined on the same tools as the Pontiac V-8, and will develop about 125 hp. Because the transmission is located on the rear axle, a flexible drive shaft and independent rear suspension will also be used on the Tempest.

Pontiac will also offer a standard-sized car on about the same wheelbase as, and to compete with, the Chevrolet.

Both the Buick Special and Oldsmobile F-85 compacts will have liquid-cooled aluminum V-8 power plants, mounted on a 112-in. wheelbase and with an over-all length of about 200 in. Styling will resemble the larger Buick and Olds cars, with "fastback" rear window and high waistline. The Special has criss-cross grille, chrome simulated porthole covers, and conical molding in the rear quarters.

All three of the new GM compacts will be turned out in four-door sedan and station wagon models; hardtops and convertibles may be available also.

Ford Motor Co.

The biggest changes at Ford will be

from the Lincoln-Mercury Div. To plug the holes in the "full-line" product offering, Mercury will adopt the Ford body shell, with a 120-lb. wheelbase, and sell two series—including a six-cylinder car—in the Ford-Chevy-Plymouth price class. Only the Monterey will remain as a big medium-priced car.

Lincoln will be cut to one series, to be called the Lincoln Continental. The new Lincoln Continental will be offered only in sleek, four-door models, with styling reminiscent of the 1956 Continental Mark II. Wheelbase is about 6 in. shorter than current models.

Ford Div. will have greatly restyled standard Fords and the Thunderbird. Ford will go back to the squarer styling of the highly successful 1957 and 1959 models, including the bull's-eye taillight. The Thunderbird will continue as a two-door model.

Only minor trim and grille changes are scheduled for the two Ford compacts, Falcon and Comet, but both will offer larger (170 vs. 144-cu. in.) engines as options.

Over-all, Ford is expected to introduce improved power steering and front suspensions that require no lubrication. As with the GM cars, Lincoln Continental, Mercury, and Thunderbird will eliminate the dog-leg.

Ford is known to be working on a model that is smaller than the present Falcon, but this model—if produced in this country at all—will not be ready for another year.

Chrysler Corp.

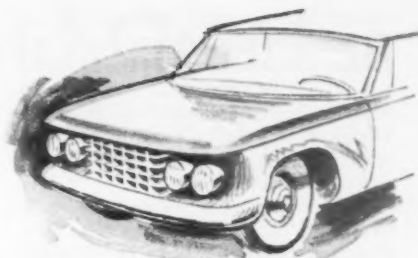
Chrysler's principal changes for the 1961 model year will be in the area of styling. Fins will be trimmed down to Dart or Valiant proportions and grilles will be reworked. In addition, all Chrysler cars will offer the alternating current generator introduced on the Valiant this year. Aluminum blocks for Chrysler six-cylinder engines are being road-tested but may not be ready at introduction time.

For the 1961 model, the Valiant officially will become the Plymouth Valiant, with a restyled grille, interior and taillight trim. Companion Plymouth will get the most drastic face-lift, with flattened fins and a new grille with canted headlights.

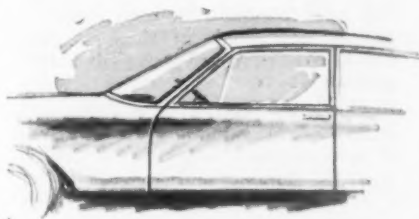
The Imperial will have an interesting front end styling theme, with headlights patterned after those of 1930-ish classic cars, set out from the grille and fenders in bug-eye fashion.

The compact Dodge Lancer will be built on the same 106.5-in. wheelbase as the Valiant, but will have a strikingly different exterior. It will be about 190 in. long over-all and offer more luxurious fittings. A convertible may be offered in the Lancer line, and the gear shift is mounted on the steering column.

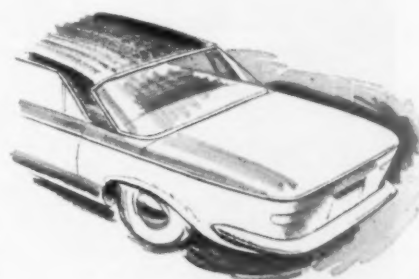
In the standard-sized Dodges, little



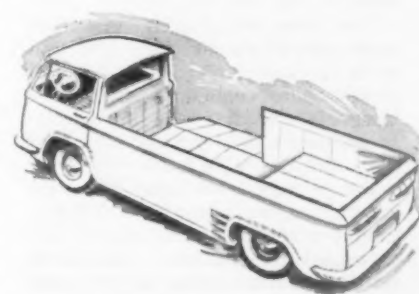
CHRYSLER Imperial features headlights patterned after those of the classic cars of 1930-37. Other Chrysler changes include trimmed-down fins and reworked grilles.



FORD'S Lincoln Continental, Thunderbird, and Mercury—like GM's full-sized cars—get a new roof line eliminating front-post "dog-leg," and usual face lift of grilles.



GENERAL MOTORS' rear-end treatment follows that of the Corvair, with high waistline and "tucked-in" underneath. Floor panels will be lowered for more leg room.



GM'S Corvair trucks will resemble Volkswagens. New Corvairs will be available with a 95-hp. engine. Heater and spare tire will be moved for more space.

change is anticipated, although the big Dodge will be cut to one series, the Polara. The same is true of the De Soto, which will be offered as one series in four-door sedan and hardtop. Both the Dodge Polara and De Soto are built with the Chrysler body shell in the Chrysler assembly plant.

All Chrysler cars reported are ready to discard the swivel seat in favor of a separately adjustable front seat like the Rambler.

American Motors Corp.

American Motors will have more change for 1961 than in several years. The 100-in. wheelbase American model is getting a new and roomier body—the first basic change in the body since the car was introduced in 1950. A convertible American will go on sale before next spring.

The larger Rambler 6 probably will have ready an aluminum block version of its economical, long-stroke 6. Otherwise, the Rambler and Ambassador are

slated for minor restyling of trim and grille.

Studebaker-Packard Corp.

Almost unnoticeable styling alterations will be made on the 1961 Larks, and South Bend engineers have tackled one of Studebaker-Packard's big difficulties—the outmoded flat-head six-cylinder engine.

The new Lark 6 will have a more powerful, more economical overhead valve power plant similar to that in the Ramblers. It has been retooled at a minimum of cost.

S-P will continue to draw income from the importation of DKW and Mercedes-Benz cars, and export of Larks.

• **Big Mystery**—Soon now, the auto companies' second-quarter financial reports will begin to come out—and possibly give firmer ground for speculation on the biggest mystery of Detroit's smaller cars: What have they done to profit ratios?

Profit

THE squeeze on corporate profit margins, which began showing up in the first quarter, became more widespread and pinched even tighter during the second quarter.

This is clear from a nationwide survey of corporate executives made by BUSINESS WEEK this week as company accountants were running up the second-quarter results. A majority of the companies queried said that their earnings in the second quarter were below the first-quarter level, and below the second quarter of 1959, when many of them benefited by the pre-steel strike inventory buildup. And those companies reporting that their second-quarter earnings were higher than the first quarter, largely because of higher sales, also said profit margins have shrunk.

• **Varied Reasons**—Corporate executives cite a number of reasons for the narrowing of profit margins. Many now say that overoptimistic sales forecasts led them to increase production; thus their costs rose when sales failed to come up to expectations. Others report increased competition—both from domestic companies and from abroad—played a big role. In many instances, competition meant that producers could move goods only by paring prices—which cut into profit and profit margins. At the same time, increased competition has also meant more spent on promotion and advertising.

It's not unusual for profits margins to shrink in the latter stages of a business recovery. But businessmen are now out to halt or reverse the trend. They are not taking any inventory they do not need; they are trimming production schedules to get them in better line with sales; and they are trying to hold down the costs of production in a variety of ways, including a general holddown on labor.

• **Plans Restudied**—Many companies now are questioning whether to go ahead on capital spending plans aimed at increasing capacity. In some fields at least, they will postpone or stretch out such spending. But most companies report that they are making no changes on modernization plans. On the contrary, spending that is geared to reduce costs may well be stepped up at the expense of spending for increasing capacity.

I. Cost-Price Squeeze

It is still too early to get a full run-down on second-quarter results. But there is no doubt that the drop in earnings and profit margins is an across-the-board phenomenon, not only hitting companies whose sales and production



Busiest Commuter Railroad Is Struck

Some 1,350 of the Long Island RR's employees struck the road last weekend and left the Long Island's 175,000 daily riders to shift for themselves.

The riders shifted pretty well. Dire predictions of chaotic traffic jams were made in expectation that at least the 85,000 daily commuters among the Long Island's riders would all attempt to use their cars to get into New York City. But jams were few.

Longer than usual trains ran on the Long Island arms of the New York City subway system, 700 extra buses hauled passengers from suburban communities to the subway terminals, and thousands of commuters set up car pools. This—and the fact that thousands left home earlier, thus spreading the rush hour over a longer period—absorbed the anticipated crush.

If the strike lasts long enough to let the commuters get used to their new traveling habits, and if its settlement terms require an increase in the Long Island's already high fares, the railroad may lose some of its commuters.

At midweek there was still no sign of a quick settlement. The strikers—members of two lodges of the Brotherhood of Railroad Trainmen—now work a six-day week and get seven days' pay for it. They are demanding that train-men get a five-day week with no cut in pay, and that yard crews and switch tenders get a pay raise. To meet these terms, says the management, would cost the railroad an extra \$350,000 a year. And under the terms by which it was reorganized by New York State in 1954 the railroad must break even each year.

Margins Pared in Second Quarter

● Many companies report that their second-quarter earnings and profit margins are below the first-quarter level.

● Increasing competition, rising costs, disappointing sales are the main causes of the squeeze on profits.

● Although most concerns expect sales to rise in the second half, they are busy cutting costs in case they don't.

are slumping but also those boasting higher sales.

In the first quarter, pretax profits came close to an annual rate of \$50-billion. From the figures now available and from confidential interviews with key company executives, it now appears that pretax profits in the second quarter are running around \$48-billion on an annual basis. The Treasury has estimated corporate profits at \$51-billion for the 1960-61 fiscal year; the results to date indicate that business will have to stage a big upturn and widen profit margins to reach that target.

• **Cost Control**—Many companies are hoping for just such a reversal, and are making definite efforts to bring it about. One big Eastern ball bearing company, which reports a 10% drop in profit margins over a year ago, is planning moves in all directions: It is cutting down on its labor cost, increasing its mechanization, and cutting the "fat" out of the sales and executive staffs with continuing budget reviews. Other companies are following this same pattern.

The new emphasis on cutting costs when sales are still good is largely based on the fact that manufacturers are no longer able to rely on the remedy they resorted to in the past—a hike in prices. Perhaps the biggest factor in cutting profit margins is that competition is forcing price cuts.

• **Price Cuts**—This does not show up in any statistics. Most manufacturers are sticking to their quoted list prices in public, but when it comes to making a deal they are definitely shading prices. Many manufacturers report that they have provided larger than ordinary discounts in order to move their goods, and are also benefiting from cuts in prices when they have needed raw materials. This has cut profit margins all along the line.

One Boston paper manufacturer says that "our costs are being controlled but competition is so keen we can't get it all back in the selling price. All we can do is bide our time and try to get better prices later." And a big auto equipment supplier says that "sales are fine but only because we have shaved our prices. This is keeping us running at full steam

but it is hurting our profit margins."

The same holds true for a big glass manufacturer that reports "increasing price competition is putting a crimp on earnings." Most chemical companies are in the same boat, and many metal fabricators are also saying that competition has made them cut prices.

• **Rising Labor Costs**—Businessmen also say that labor costs are hurting their efforts to control prices. A big steel fabricator held a meeting to consider how to control its costs, came away with no startling new decisions because "we are being nickled and dimed to death by government and labor." A New York electrical equipment company reports that "the one thing that is hard to control is our labor costs. Every time we seem to have them in hand, we find they start shooting up."

Many companies blame the lowering of profits on research and development costs. This is especially true for electronics companies, which up until now have been able to increase their sales and profits fairly regularly. But in the last few months there's been a great deal of competition in transistors and other lines, and companies have had to continue pouring funds into research at a time when their sales volume was either declining or else holding steady.

Even retail outfits have been hit by shrinking margins. Most retailers report that second-quarter sales were good. But selling costs have increased, and many big outlets have had to cut prices to move goods.

II. The Exceptions

Some companies have managed to resist the trend toward lower profit margins. One Cleveland concern says that its products are finding excellent reception because of good promotion and pricing, adds that if it weren't for foreign competition "chances are that both sales and margins would be even higher." And a big drug outfit reports that it has been able to increase its sales and profits because "our research and promotion" are paying off.

In general, companies with a low

labor component in their production costs have fared better than those where labor plays a big role. This was not true in the oil industry, however, and some service companies, where labor is a big cost, showed gains.

• **Record Profits for Some**—In contrast to the lower profit margins so widespread in manufacturing, nonmanufacturing corporations, including commercial banks and finance companies registered record profits. They are benefiting, of course, from the high cost of borrowing, a factor that some manufacturers claim hurt their profits. But earnings were also good for companies that deal in cost-cutting equipment including office equipment companies. Utilities also showed increases in profits, although many had lower profit margins.

III. Still Hopeful

Many companies express the hope that the drop in profits in the first half will be reversed later in the year when sales are expected to increase. Many electronics companies think that they will be helped by an upturn in government spending. And they also add that start-up expenses for new plants and research for new products should begin to pay off now. One California electronics producer predicts that profits in the final months of the year will be the highest in history.

• **Playing It Safe**—Many companies are counting on increased sales efforts to bring the sales volume needed to improve profit margins. This means added costs, but most companies feel that it is money well spent. But few companies are planning to go ahead with production in hopes of a sales rise. Instead, they will be playing it closer to the chest, and if sales do rise, they figure to reap the benefits in higher profit margins.

During the first quarter, many companies blamed their poor showings on bad weather. Some still stick to this story, although many now say that many of the losses in sales turned out to be permanent losses. In the second quarter much of the more cautious attitude was clearly a case of reacting to the disappointments in earlier expectations.

• **Precautions**—Now, corporate executives are keeping their fingers crossed. They are hoping for better sales over the balance of the year—and have done some belt tightening just in case those sales do not materialize. They are reasoning that if sales increase, profits and profit margins both will rise; but if sales fall off, they will be able to halt the narrowing of profit margins if not of profits.

Messages by Tele-Satellite

AT&T gives peek into a near future in which 50 spinning satellites will provide a world communications network, relaying voice messages, data, even TV programs.

Last week, American Telephone & Telegraph Co., "Mother Bell" to many in the electronics industry, hatched one of her most spectacular technological chicks: a plan to use some 50 space satellites to link the entire world in a huge communications network capable of carrying large volumes of voice messages, data, and even television programs.

For quite a while now, there has been a lot of talk in the communications industry and the military about eventually using satellites to bounce high frequency signals from point to point around the globe. High frequency signals are used a lot because they are the most efficient for carrying large amounts of information; they are the only way to carry such a load as television.

But they suffer from an inability to cut around the earth's curvature the way long radio waves do. A microwave, or ultra-high-frequency, receiver has to be in line of sight with the transmitter, or else has to receive the signal by reflection.

• More Sophisticated—Experimental satellite communications systems have already worked, either by using the moon as a reflector or by picking up incredibly faint signals reflected from small satellites. The National Aeronautics & Space Administration's Project Echo will attempt to put a 100-ft. balloon in orbit to boomerang radio signals back to earth sometime this fall.

AT&T's proposed system is considerably more sophisticated than Project Echo, however. Instead of merely reflecting the signal of ground transmitters the satellites in the telephone company's project would rebroadcast them from solar-cell powered transmitters carried aloft.

• Cost Spell-Out—AT&T's project is by far the most extensive study yet of space communications, and in addition is the first to attempt to put a dollar cost on such a system. The details are in a thick booklet entitled *Frequency Needs for Space Communication*.

The cost is surprisingly low: \$170-million for a worldwide system of 50 satellites (about \$2-million each) and 13 pairs of ground stations (\$5-million each).

A somewhat simpler system, involving 30 smaller satellites, would link the U.S., Europe, and Hawaii with 600 two-way voice channels at a cost of only \$50-million. That figures to only

\$25,000 a circuit. Considering satellite life to be 10 years, capital write-off would amount to only \$70 per circuit per day.

That's a lot cheaper, according to AT&T's assistant chief engineer, Charles M. Mapes, than the least costly of the foreseeable undersea cables. Besides, Mapes claims, undersea cables do not carry a sufficient amount of information to permit full-speed television transmission, as the satellites would.

• Uncertain Date—Just how soon AT&T would be able to put up a satellite communications net is not definite. A lot of development work would have to be done, and presumably, any firm commitments would have to await international coordination of the allocation of frequencies for space use—scheduled to be considered at meetings in New Delhi in 1962 and Geneva in 1963.

AT&T, which wants to own the satellites, says it would like to finance the project in conjunction with other agencies or countries that would use the system.

• AT&T's Aim—AT&T revealed its big plan at this time because it is embroiled with the rest of the electronics industry in the complex question of radio frequency allocations, a domain administered by the Federal Communications Commission and subject to periodic hearings. The FCC must decide who can go on the air at what frequencies, and its decisions are crucial to the future of electronics communications.

The AT&T space communications plan was submitted as testimony in a rehearing of so-called Docket 11866, which was concluded last fall with a decision that opened up the use of microwave to private operators on a much wider basis than before. AT&T considered that decision a major defeat, requested rehearings on two grounds: that common carriers would suffer economic damage from loss of high-volume customers who put in their own systems; and that not enough consideration was being given to future needs for space commitments.

The FCC dismissed the first argument, but did not dispose of the second. So AT&T brought out its heaviest scientific artillery to try to reserve a large block of frequencies—a band covering a frequency span of as much as 2,000 megacycles—in the critical 1,000 to 20,000 megacycle range.

It's this frequency area, Bell Labora-

tories scientists claim, that has the best "windows to space" in terms of least atmospheric interference and noise. A good part of the AT&T report is devoted to highly technical arguments for a maximum amount of frequency spectrum space in this range on the grounds that the system must be reliable, free from interference and noise.

• Opposition—Several companies, plus the Electronic Industries Assn., which represents a majority of electronics equipment manufacturers, have also filed testimony on the space communications question.

The EIA position differs diametrically from that of AT&T on the point of exclusive use of the frequency space. EIA claims its studies show that there would not be serious interference between fixed-point ground based systems and space systems. AT&T claims there would be. Next week, AT&T and the EIA will stage a technical battle in the official hearings, and the FCC will have to decide whose advice is most valid.

• Peek Into Future—Meanwhile, the public and businessmen have had a tantalizing peek at the future of international communications—and the first really serious effort to put space vehicles to practical use.

Almost everyone in the communications business agrees that satellites are a natural for long distance communication. RCA believes that the first practical communication satellites will go up for trial use by 1965, that worldwide TV will be practical by 1970.

Most studies indicate that the best system would use so-called active satellites that would receive a highly directional signal from a powerful ground transmitter and rebroadcast it.

• Difficulties—So many satellites are required in AT&T's system in order that there would always be a satellite within range of the two communicating ground stations. The satellites would orbit the earth in a polar track, and be energized by solar cells. The power of the rebroadcast receiver would necessarily be small, on the order of one watt. The ground stations would have to have at least two and perhaps more transmitting and receiving antennas for each two-way channel in order to make a smooth transition from one satellite relay to the next.

Some in the industry contend that using fixed-point satellites that would stay over the same point in the earth's surface would be more practical, since fixed antennas could be used and possibly directional antennas on the satellite itself. AT&T rejects this idea, because the 2,000,000-mile orbit of a stationary satellite is so far away that the delay in a two-way conversation would be intolerable. Such a delay would not affect television broadcasting, however.

Is Ballistic Missile Era Waning?

● Research and development on new ballistic missile systems for the military may be nearing an end.

● Production will continue, of course, but the next generation out of the labs may well fill out the family.

● This is suggested by the chores assigned by Air Force to its new missile planning contractor, Aerospace.

This week, the Air Force gave its first assignments to Aerospace Corp., the nonprofit outfit recently organized to succeed Space Technology Laboratories as Air Force contractor for scientific and technical planning of all its new rocket, missile, and space projects. It also chose the new company's first president: Dr. Ivan A. Getting, who moves from a job as research and engineering vice-president of Raytheon Co.

Both steps were taken with little of the fanfare that usually accompanies Air Force happenings of such magnitude. To some observers, this was surprising, considering that Aerospace's new role was announced only June 25 and that its job will be pivotal for all future Air Force rockets and missiles. Among missile and space contractors, also, the lack of publicity seemed extremely significant—especially in combination with the list of projects that Aerospace will tackle.

The meaning, industry people think, is that the Air Force has conceded, at least privately, that only a few more major earth-launched, military missile programs remain to be ordered.

I. What's in the Works

As outlined by the Air Force, Aerospace has three responsibilities:

- Midgetman, a scaled-down version of the solid-fueled Minuteman intercontinental ballistic missile.

- A scaled-down model of the Polaris intermediate-range ballistic missile for the NATO countries.

- Technical direction of a new anti-missile missile, said to be a short step beyond the Nike Zeus.

These projects could be the last of the complete new earth-launched missile systems. According to industry talk, though, Aerospace may also direct development of another type of system—one more air-launched missile to follow Skybolt, a 1,000-mile-range, solid-fueled, nuclear-armed job now in the R&D stage at Douglas Aircraft Co.

- Reasoning—The industry has two basic reasons for its feeling that Aero-

space will be working on few radically new rocket systems.

First, after one more round of developing offensive military rockets, the law of diminishing returns will begin to apply to big research spending in this department. Missiles now in the works will have enough range, accuracy, and payload to hit within less than a mile of any place on earth with a force of millions of pounds of TNT. What more, it's asked, could any ballistic missile do?

Second, the need for more money for space vehicle research will inevitably eat into funds available for new missile programs in the years ahead. Just as missiles edged out airplanes on the priority list, so space vehicles will displace some missile jobs in the future.

At the moment, the National Aeronautics & Space Administration is the boss on major space research programs. If the Air Force goes more deeply into space, though, it should be through Aerospace. So far, at least, there is no sign that Aerospace is tooling up for any such drive.

II. Progress to Date

If another round of earth-launched missiles will fill the Air Force's need for offensive weapons carriers, obviously there will be heavy reliance on systems now in advanced development, such as the Minuteman ICBM and Polaris IRBM. Proponents of the "one more round" view insist that such faith is justified.

Polaris, a Navy missile, encountered trouble on two test firings at Cape Canaveral last week. The difficulties were attributed in one case to a control malfunction, in the other to a second-stage ignition failure. Engineers are confident that Polaris will meet the deadlines for its submarine launching tests (to be tried for the first time next week from the atomic-powered George Washington) and for becoming operational (scheduled for fall).

An advanced form of Polaris, such as Aerospace will be working on, might add range and payload capability. But it could contribute very little to the

nuclear-tipped Polaris' simplicity (BW-Jul.2'60,p20). The missile will be storable either aboard a submarine or in Arctic ice. It will be able to travel fast enough to avoid interception by any known anti-missile missile. It will be possible to fire it instantly.

The Navy wants 40 atomic submarines, each armed with 16 Polaris missiles, as the backbone of its deterrent force. Industry scientists are saying that an equal number of improved land-based versions would probably conclude the IRBM concept.

- ICBMs, Too—There is similar logic to support the contention that one more storable ICBM, such as Minuteman, will complete this class, too. The solid-fueled Minuteman, designed for simplicity and mobility, already incorporates most of what scientists have learned about designing rockets.

Its range at the moment is listed as only 5,500 miles. But like the advanced forms of the liquid-fueled Atlas, in later versions Minuteman should be able to hit almost any spot on earth with a nuclear payload. There might be further refinements, such as building in a higher trajectory or devices for avoiding detection, but these would not require a general design change.

The Air Force has one obvious possibility for development left—an air-launched ballistic missile. But this is unlikely to require much basic technological innovation.

- Shift to Space—With ballistic missiles so apparently near perfection, many electronic companies and even prime contractors are already turning their research efforts toward space. A temptingly big market looms sometime soon for satellites that map, scout, and study the earth and for satellites that can transmit messages and aid navigation (page 32). The field is wide open for space vehicles fed by nonchemical fuels. And in electronic research, the step into space is sure to be even more challenging than the development of weapons.

Dr. Getting's appointment at Aerospace adds mystery to the speculation sweeping the industry. He is a physicist who directed fire control and radar research at the Massachusetts Institute of Technology's radiation lab during World War II. Under the deal setting up Aerospace, Space Technology Labs was supposed to "make available" 250 technical personnel and 1,500 support personnel to the new company (BW-Jun.4'60,p36). So far, only a handful of employees has been named to Aerospace, however. Dr. Getting's name and prestige will undoubtedly help lure prominent men into the fold.

Russia Fires Up Cuban Crisis

● Direct Soviet challenge to U. S. makes crisis serious enough to affect U. S. position as free world leader.

● Immediate U. S. problem is to keep Cuba out of Russian orbit without resorting to intervention in island.

● U. S. strategy is to win Latin American support, seal off Cuba in hope pressure will in time topple Castro.

The U.S.-Cuban conflict this week turned into a crisis of the first order, one serious enough to affect the U.S. position as leader of the free world.

A Soviet challenge to the U.S. over Cuba has turned a neighborhood squabble into a worldwide affair. Soviet Premier Khrushchev clearly intends to use it to weaken U.S. prestige not only in Latin America but among the uncommitted nations and wherever there are strains on our alliances.

Over the past week, the Russians have intervened in the Cuban affair more daringly than any Western diplomat ever expected. The U.S. has stood firm and begun a counterattack. Here's the way the crisis built up:

- Last Saturday, the Soviet Premier promised Castro all-out economic support, then warned that "Soviet artillerymen can support the Cuban people with their rocket fire, should the aggressive forces in the Pentagon dare to start intervention against Cuba."

- Pres. Eisenhower, vacationing in Newport, R. I., replied that the U.S. would not "permit the establishment of a regime dominated by international Communism in the Western Hemisphere."

- This week, Khrushchev scoffed at this and said, "If the time comes when aggressive action is performed against that country [Cuba], we will lend our support." The Russian leader avoided a direct rocket threat, leading Washington to believe that he was bluffing. Few think that Khrushchev will risk nuclear war over Cuba.

- In concert with the Russian delegate to the United Nations, Cuban Foreign Minister Raul Roa demanded that the U. N. Security Council meet to consider "repeated threats, harassments, intrigues, reprisals, and aggressive acts" against Cuba by the U.S.

- In Havana, Cuban Pres. Dorticos followed Khrushchev's lead by implying that Cuba was considering moves to oust the U.S. from its naval base at Guantanamo Bay, in eastern Cuba.

- To counter the Russo-Cuban moves, Pres. Eisenhower revealed that the Administration is planning an economic assistance program to improve

living standards in Latin America and to forestall the spread of Communism (page 111). Cuba was pointedly left out.

Added up, all this means that the U.S. is again on the defensive before the Soviet political-economic cold war machine. Although in the forefront at the moment, the Cuban crisis is but one of the troubles with which the U.S. is involved as the Communists attempt to push back the Western nations with propaganda, trade and aid, and perhaps military action (page 107).

- **Soviet Aims**—In Cuba, Russia is trying to establish exactly what Eisenhower says the U.S. will not permit—a government dominated by the international Communist movement. This would give the Soviets a base for beam- ing propaganda into the rest of Latin America, a center for political campaigns throughout the hemisphere, and, by underwriting a large share of the Cuban economy, a showcase for the Russian largesse that's available.

More Russian oil has arrived in Cuba, bringing the nation's supplies up from a 10-day to a 20-day level, and fertilizer shipments have started. This week, a Cuban trade mission returned from Russia and Eastern Europe with promises of funds and equipment to set up 30 factories in Cuba.

With the Cuban economy in bad shape, Russia may find it more expensive than it expected to keep Cuba solvent. In that case, the Soviets will probably try to lure the U.S. into an armed intervention in Cuba, to which the Soviets would gleefully point and call for world denunciation of the U.S. as an "imperialist aggressor." This will seriously hurt U.S. prestige.

Conversely, if the U.S. fails to prevent the Soviet penetration of the Western Hemisphere, its stock as leader of the Western alliance will fall even lower. Some U.S. allies are dubious of U.S. capabilities for leadership after the U-2 incident, the summit break-up, the events in Japan, and this week's incident involving the shooting down of an RB-47 airplane near Russia.

- **U. S. Strategy**—Washington's immediate problem is to prevent Cuba from going into Russian orbit—but without

intervening and "sending the Marines." The strategy that began to emerge this week calls for the demise of the Castro government.

Fading into secondary importance, for the time being, are U.S. private interests in Cuba. At midweek, Castro had not followed through with his threat to take over remaining U.S. enterprises, perhaps because his government lacked the personnel to do so.

After seizing the oil refineries, the Cuban government decreed that all U.S.-owned companies must report their inventories. Most big U.S. operations—Cuban Electric Co., Cuban Telephone Co., Esso's and Texaco's oil refineries, the Moa Bay Mining Co.—are either under Cuban control or shut down. But a number of smaller outfits such as E. I. du Pont de Nemours & Co.'s paint plant and an Owens-Illinois Glass factory are still running. Imports from the U.S. are mostly limited to pharmaceuticals, fertilizer, and food.

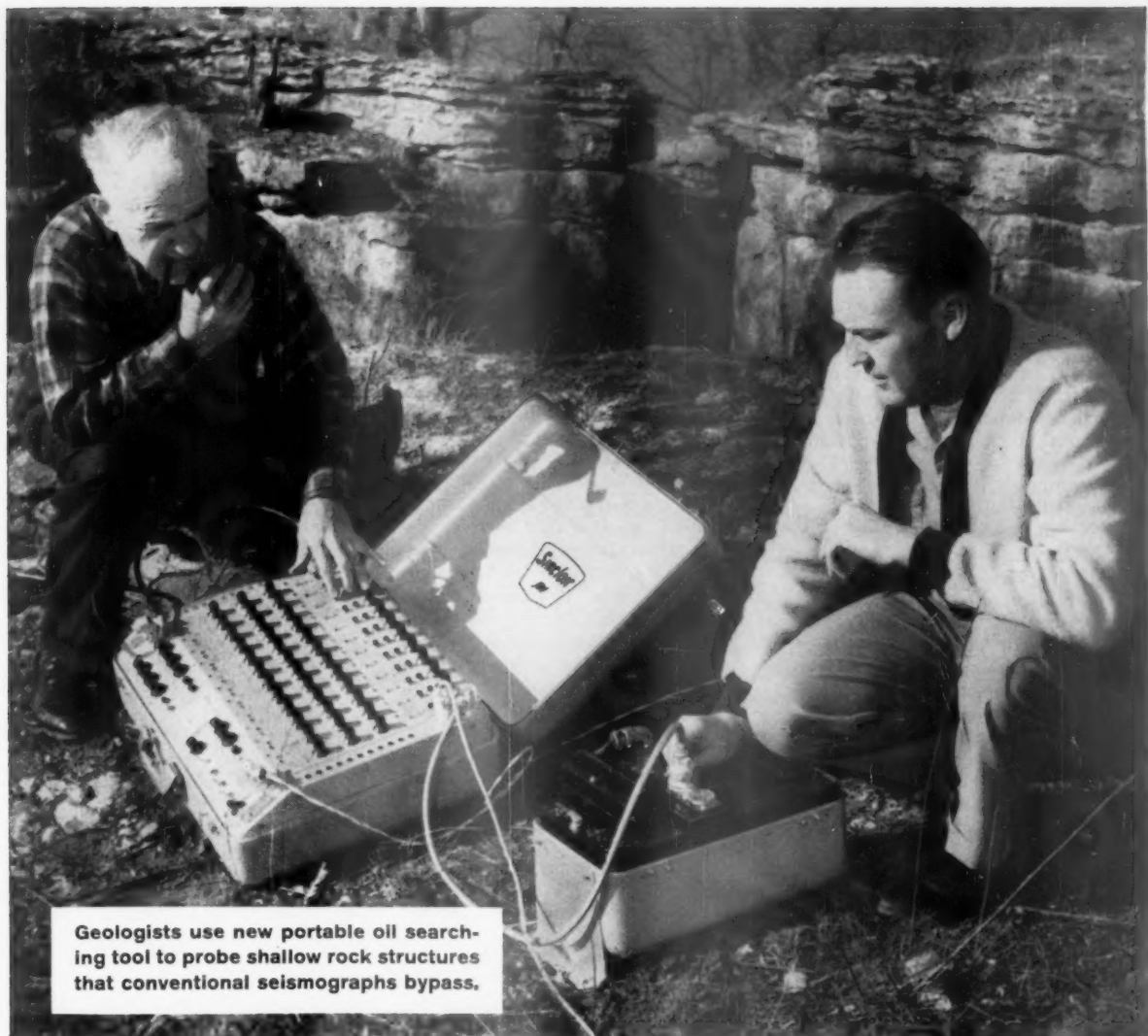
- **Possible Moves**—There are several moves the U.S. can make—more embargoes on trade now that sugar shipments have ceased, a break in diplomatic relations, freezing Cuban assets in the U.S., covertly supporting anti-Castro factions.

Some of these will probably be used to increase pressure. But the U.S., acting alone, will probably not break off diplomatic relations nor will it undertake a naval blockade, usually considered an act of war. This would only alienate other Latin American nations.

Washington believes concerted action by all the American nations is needed for the most effective battle against Castro. The plan is to seal off Cuba, hoping that economic and political pressure will eventually topple Castro.

- **Soft Spots**—The Cuban economy is in serious trouble now, with shortages of meat, certain vegetables, and lard. The lack of industrial spare parts is critical, especially in mining. Red tape and mismanagement have made most of the National Agrarian Reform Institute's agricultural cooperatives a bleak failure.

Politically, the defection this week of the Cuban ambassador to West Germany is the latest of a long line of top-level desertions that have demoralized some of Castro's followers. There also appears to be more to Castro's illness than has been publicized. Although he is genuinely sick, diplomats and men-in-the-street alike think he has been down-graded, that Pres. Dorticos, Foreign Minister Roa, National Bank Pres. Guevara, and Fidel's brother and head of the army, Raul Castro, are more openly taking control of the government. They



Geologists use new portable oil searching tool to probe shallow rock structures that conventional seismographs bypass.

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The biggest job America's oilmen face is finding economically all the petroleum energy this country will need in the "soaring sixties." Most economists expect petroleum demand to rise 50 per cent by 1970.

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appear to be moving toward more orderly—and perhaps tyrannical—government.

• **Bid for Support**—Essential to the U.S. plan, obviously, is the cooperation of the majority of Latin American nations. U.S. diplomats in Washington, at the United Nations, and throughout Latin America are trying to line up this support. The economic aid plan the President announced this week is clearly designed to win Latin American backing, as are prospects of increase in sugar quotas.

Just how successful the U.S. will be is the big question. Led by Mexico, many Latin American nations have sided with Cuba, emotionally if not officially. Although a number of Latin Americans were happy about the new economic program, some claim that the U.S. makes gestures toward Latin America only when it wants something.

• **U. N. and OAS**—Cuba has stolen some of the Administration's thunder by taking its case to the U. N., thereby stalling U.S. protests to the Organization of American States. The Administration's current tactic will be to meet the Cuban complaints head-on in the U. N. Security Council, which is scheduled to begin consideration Monday.

The U.S. apparently will not try to have the Security Council drop the issue but hopes the Council will not act. Washington would like to see the issue moved to the Organization of American States, where the U.S. will seek a vote of censure against the Castro regime. The Soviets, however, will most likely insist that the issue go to the U. N. General Assembly, where the Soviet-Cuba team will press for a resolution condemning the U.S.

After that, the U.S. position will hinge on Latin American backing. At midweek, Washington's rumor circuit had it that OAS would reaffirm the Monroe Doctrine and tell Khrushchev to stay out of this hemisphere. Such a stand would save the U.S. face but would avoid putting Latin Americans on the spot by denouncing Castro.

• **Naval Base**—The use of armed force is under consideration in Washington but most likely will be avoided unless Cuba attacks the naval base at Guantanamo Bay, the Russians set up military bases in Cuba, or some incident necessitates it.

The Guantanamo Bay naval base is a \$76-million installation covering 28,000 acres and including a fine harbor, ship repair yard, two airfields, and communications facilities.

What Pentagon officials fear is not so much direct military attack as harassment of the 3,000 Cubans who work on the base, or incitements to sabotage or malingering. The Castro government has already started to build gates outside the base gates, for checking Cuban

employees going to and from work.

Defense officials also say the base's water supply is vulnerable, coming from a pumping station on a river four miles away. In an emergency, however, the base could be supplied by ships.

Most Washington officials dismiss as

poppycock any thought that the Russians will try to establish a military base in Cuba. They figure that Khrushchev knows that such a move is too blatant and risky and would only mobilize all Latin American governments on the U.S. side.

Protectionists Work Up Steam

Their election-year drive is heavier than usual, aimed against import concessions and for a new trade law.

Protection-craving U.S. industries this week were launching what promises to be the heaviest election-year drive in years against Washington's liberal trade policies. The protectionists seek bipartisan help in achieving two goals:

- A hefty cut in the list of 2,500 imported items on which the Administration proposes to offer further concessions at the January bargaining session of GATT (the General Agreement on Tariffs & Trade), in Geneva.

- A sweeping Congressional review of the basic trade law next year, with an entirely new law as a possible outcome.

This week, the Tariff Commission began nine weeks of public hearings on the proposed list of negotiable items. All told, some 450 witnesses, representing nearly 300 companies and trade groups, will testify. Some of them will represent importers and consumers of imports, but the bulk of the witnesses will seek to bury the list, not praise it.

- **Notable Roster**—The lineup is normal for an election year, only more so. Rarely have so many major companies planned to be represented by high officials. The complaining group also takes in an unusually wide range of industries.

Loudest and most concerted complaints come from the makers of synthetic organic chemicals—companies such as du Pont and Monsanto. But the list also includes textiles, iron and steel products, machine tools, electronic equipment, and nonferrous minerals (although lead and zinc were not listed as negotiable).

Here are some of the arguments:

- U.S. exports are being priced out of foreign markets, especially where productivity matches that of the U.S. This is advanced to counter Administration plans to offer maximum U.S. tariff cuts in exchange for lower foreign tariffs on U.S. exports, especially by Western Europe's Common Market and Free Trade Assn.

- Imports are damaging a widening list of U.S. companies. More and more companies are opening their books privately for the Tariff Commission in an effort to substantiate this claim.

- The "offer" list lumps too many unrelated products in so-called "basket" categories. The protectionists also

claim that the list is couched in such impenetrable language that it is very difficult to tell whether a product is on it or not.

- There is not enough industry representation on the negotiating team that will go to Geneva.

All these points are denied by the Administration. Officials say there is less "basket clausung" than ever before—that's why the list is so long. They say that the negotiators haven't even been picked yet, and that industry will have an adequate voice when they are. And they say that the concessions we are seeking far outnumber the proposed quid pro quo.

As a clincher they say that proposed cuts are limited by law to a 20% reduction of present rates, that the whole purpose of the present hearings is to whittle down the list when industry is able to make its points.

- **Pressures**—The marked improvement in the balance of U.S. trade this year (exports are rising faster than imports) has failed to reduce the protectionist pressure. But Pres. Eisenhower is committed to the view that U.S. tariffs must be made as low as possible, to keep us from being shut out of our prime markets at a time when we have to bargain with the two big European blocs.

In generating their heaviest pressures, protectionists are stressing their long-range goal of securing a wholly new trade law, instead of merely extending the Reciprocal Trade Agreements Act, as has been done 11 times since 1934. This view has already been pressed on the Democratic convention (page 25) by Horace B. McCoy, head of the Trade Relations Council.

However, the Democrats adopted a Kennedy-inspired foreign trade plank that was, if anything, more liberal than that of 1956, though it did recommend that domestic industries injured by import competition be helped "through trade adjustment measures such as direct loans, tax incentives, defense contract priorities, and retraining assistance."

In Chicago, the protectionists will try their luck with the Republican convention.



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In Business

. . .

Treasury Says Those Tax Reminders Mailed With Dividends Bear Fruit

Tax reminders sent along with dividend and interest checks by banks and corporations have paid off for the Treasury. Last year, companies mailed an estimated 75-million reminders with their dividends; for the period, the Treasury says that unreported dividend income fell to about \$600-million from an estimated \$1-billion. Unreported interest dropped to \$2-billion from \$3-billion.

To arrive at its estimate, the Treasury also took a random sampling of companies, checking payouts against income reported in 1959. Of 1,452 tax returns checked so far, only 433 failed to report full dividend income. The department finds this a marked improvement over a similar sampling the year before, which found 862 delinquents.

The Treasury believes the effect of the reminders bolsters its argument that mandatory withholding is neither necessary nor desirable—at least until all voluntary remedies have been exhausted. However, it is pressing some 300 cases against individuals who failed to report dividends or interest.

. . .

Breech Steps Down as Ford Chairman In First Move to Infuse Younger Blood

Ford Motor Co. this week took the first step in an expected complicated series of maneuvers to promote younger management. Ernest R. Breech, 63, chairman of the board since 1955, resigned from that post but will chair a new Finance Committee and remain on the Product Planning Committee.

Henry Ford II assumes the chairmanship while continuing as president. In the not too distant future Ford is expected to turn over the presidency to Robert S. McNamara, group vice-president for cars and trucks (BW—Sep. 26 '59, p74).

. . .

Policy Disagreement Blamed as Snead Quits at Consolidated Freightways

Consolidated Freightways, Inc., had a management shakeup this week. John L. S. Snead, Jr., president since 1955 (BW—Jun. 11 '60, p60), resigned and William G. White, senior vice-president, took his place.

White, a former vice-president of the Delaware, Lackawanna & Western RR, joined Consolidated only last March. Snead had been 30 years—from clerk to president—with the 31-year-old company.

Snead's resignation came on the heels of the expansion program that has made Consolidated the biggest in its industry; of the 53 trucking companies that have

been merged to make Consolidated a coast-to-coast operator, 36 were acquired while Snead was president.

The company said Snead resigned as a result of "disagreement with certain organizational policies of the board." Neither Snead nor Chmn. A. J. Gock would say just what the disagreements were.

Gock said that White has "an excellent background for continuing the consolidation of our position and the improvement of profit margins . . . no further changes in management are contemplated."

Consolidated's earnings dropped almost 30% through mid-June this year from the 1959 period—which is probably close to the industry average for the months.

. . .

I-T-E Changes to Not Guilty Plea In Electrical Equipment Case

Allis-Chalmers Mfg. Co. now stands alone in pleading guilty to price-rigging charges in the electrical equipment industry (BW—Jul. 9 '60, p28). At arraignment in federal court, Philadelphia, this week, A-C pleaded guilty in two more cases, while 12 other companies denied guilt in cases covering industrial control equipment, condensers, and turbine generators.

I-T-E Circuit Breaker Co., which earlier had joined A-C in pleading guilty to an indictment involving power switchgear, took advantage of a substitute indictment to shift to a not guilty plea.

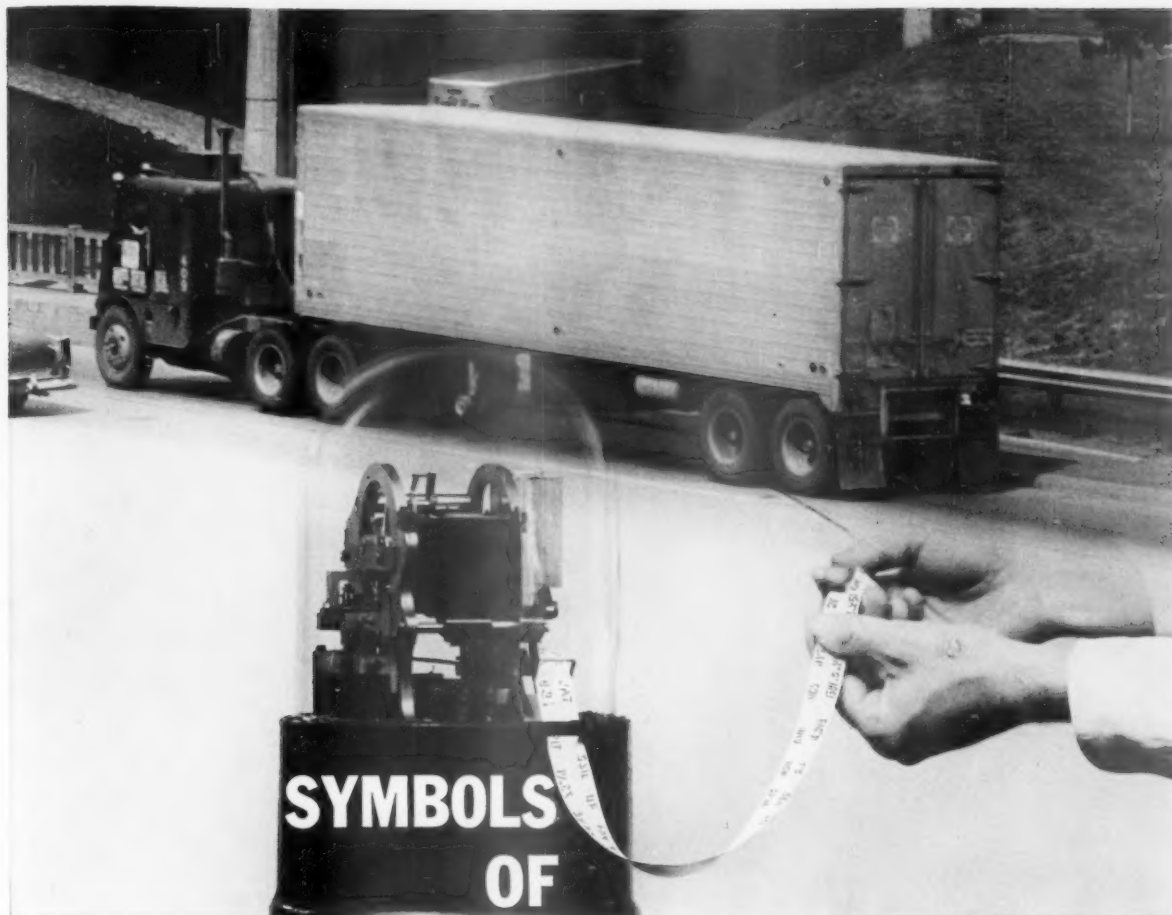
In the power switchgear case, the government submitted a bill of particulars answering the request of Westinghouse Electric and General Electric for details; both companies had claimed that if their employees had done any conspiring, it had been in opposition to company policy. The government bill retorted with the charge that all directors of both companies—including GE's Chmn. Ralph J. Cordiner and Pres. Robert Paxton and Westinghouse's Chmn. Gwilym A. Price and Pres. M. W. Cresap, Jr.—had "authorized, ordered, or did" the acts of conspiracy charged.

The government also says that in the late summer of 1958, GE Vice-Pres. A. F. Vinson "authorized or directed" subordinates to "contact competitors to agree on prices" and that Vinson told his managers that he had "received assurances from A. C. Monteith"—then a Westinghouse vice-president—concerning cooperation by Westinghouse "with respect to an agreement on such prices."

FTC Accuses Minnesota Mining

The Federal Trade Commission this week brought antitrust charges against Minnesota Mining & Manufacturing Co. as a result of its acquisition of two competitors in the electric insulation field.

In 1956, MMM picked up Premier Electrical Insulation Co. and Insulation & Wires, Inc. The complaint says that the acquisitions increased MMM's share of the total market to 29%, while its next biggest competitor dropped to 20% from 24%. Now, the government charges, MMM is in a position to manipulate prices and "concentrate the full impact" of its size and experience on one product or one section of the country to dominate sales.



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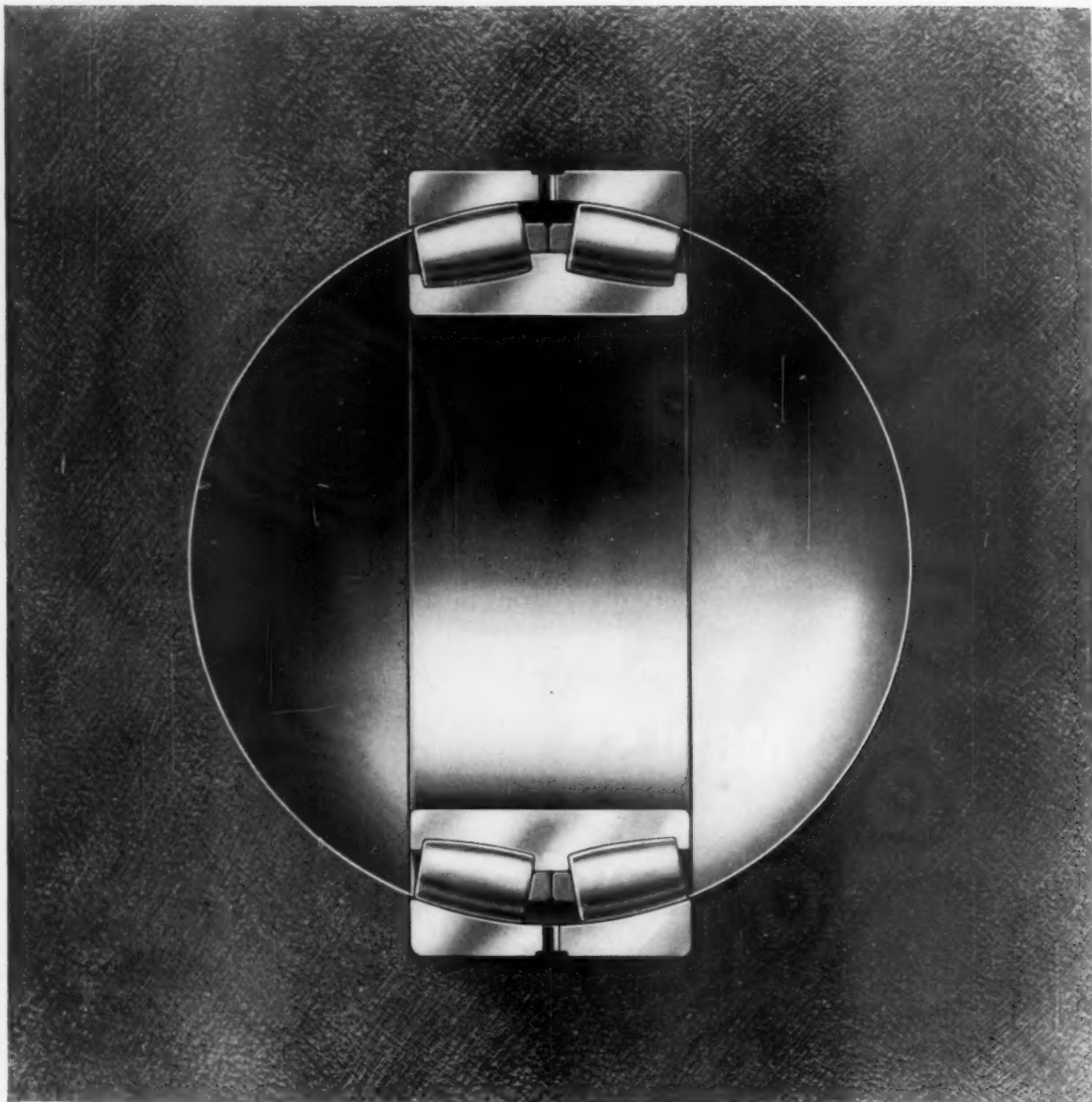
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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
JULY 16, 1960



It's time for a new, hard look at GOP strategy and problems.

Pres. Eisenhower, Vice-Pres. Nixon, and the GOP Congressional candidates face a situation markedly different from what seemed likely a couple of months ago. Then the Presidential campaign shaped up as one based largely on the personalities of the candidates, with issues in a minor role. Prosperity seemed assured at home, and Eisenhower's personal diplomacy seemed about to lessen cold war tensions.

Now both the domestic economy and foreign affairs are kicking up a flurry of political questions.

You'll see the new factors at work in the August session of Congress—later in the campaign itself.

There's the sidewise drift of business.

As Eisenhower's heir apparent, Nixon has been gearing his precampaign strategy to the belief that the economy would be strong and vigorous on election day. His speech of a few weeks ago scoffing at "growthmanship" still reflected this view.

But with the economy moving sluggishly, doubts arise. The traditional pocketbook issues, pretty much sidelined a few weeks ago, are going to be more important in November than strategists in either party counted on.

Then there's the way U. S. problems abroad keep piling up.

Khrushchev's warning to the U. S. to stay out of Cuba, Castro's forthcoming appeal to the United Nations, the request by officials of the Congo for U. S. soldiers, the downing of the RB-47 reconnaissance plane by Soviet fighters—all these will keep the question of U. S. world leadership in the forefront of the August session.

Nixon is taking two weeks off—staying at home, no outside appointments, few even with his own staff.

It's a thinking and planning period, while the country's attention is fixed on the Democrats and their new Presidential ticket. Of course, Nixon will dominate the Republican convention starting July 25.

But he will really move more into the open as GOP leader when Congress meets.

He has been influential all year behind the scenes. From now on, his activities will not be concealed. Nixon's goal is to get Eisenhower's legislative program through and—more important—to prevent the Democrats from making a record of their own.

Nixon will center on the broad social welfare issues. He's trying to put a GOP stamp on school construction aid, for example. He has been seeing Secy. Flemming of Health, Education & Welfare, and House GOP Leader Halleck. Their plan is to have Republicans on the House Rules Committee—normally opposed to any school aid—vote to free a bill now blocked in the committee. Nixon believes House and Senate conferees would then agree on a bill that Eisenhower could sign.

Medical care for the aged will be trickier. Democrats favor putting it into the social security system. Nixon and the White House oppose this and Nixon's job is to try to stop any Democratic bill before it reaches Eisenhower.

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
JULY 16, 1960

Nixon's role in international affairs will be built up.

Eisenhower's stronger stand against Castro is being cleared with the Vice-President.

The Latin American aid program announced this week from the vacation White House at Newport, R. I., was unveiled after Nixon pushed it vigorously in a meeting of the National Security Council (page 111).

Continuing troubles abroad give GOP strategists concern. They are keeping close watch of recent polls showing that international affairs are on the rise as an issue in the minds of voters. They are particularly fearful of the possible effect of a series of anti-American street demonstrations such as occurred in Mexico City this week.

They still count on the broad "peace" issue to help Nixon.

He will be kept in the limelight as the man best suited to deal with Khrushchev.

Eisenhower holds the key to possible Republican successes next month.

Top party leaders are hoping he will come back from his Newport vacation full of fire and fight. They're hoping to see the take-charge Eisenhower mood of 1958 when he defeated the Democrats in a series of legislative battles.

Nixon needs a battling Eisenhower. The Vice-President, even with added stature as the party's nominee, will be out-gunned by the heavy Democratic majorities unless Eisenhower brings his popularity and prestige to bear. If Eisenhower keeps the Southerners on his side next month, both the Democratic nominee and the Democratic platform promises can be cut up badly before adjournment.

Democratic platform writers handed the Republicans some weapons. During the August session, the civil rights plank will tend to isolate the Southerners from the rest of the Democrats, making the Republican task easier. Later, during the campaign, the platform's critical reference to the oil and gas depletion allowance will work for the GOP. It can produce both votes and campaign contributions.

—●—

The toughest fight will be over economic policy and the budget.

Democratic strategy is plain: demands for more government intervention in the economy, more vigorous leadership to stimulate growth, more taxes collected by closing loopholes, more spending for social services and defense.

The Administration has been making some moves of its own.

In successive steps, it lowered downpayments on houses, raised the price the government will pay for home mortgages, doubled allocations for highways. The Federal Reserve moved to ease money by lowering the discount rate. In the April-June quarter, the Pentagon speeded up arms procurement.

These don't add up to a massive anti-recession policy. Officials don't believe any such policy is needed. The men advising Eisenhower and Nixon on business are convinced that the economy will show a satisfactory rate of growth as soon as the inventory cutback is completed.

They're hoping the worst will be over before Congress adjourns and the campaigning gets hot.



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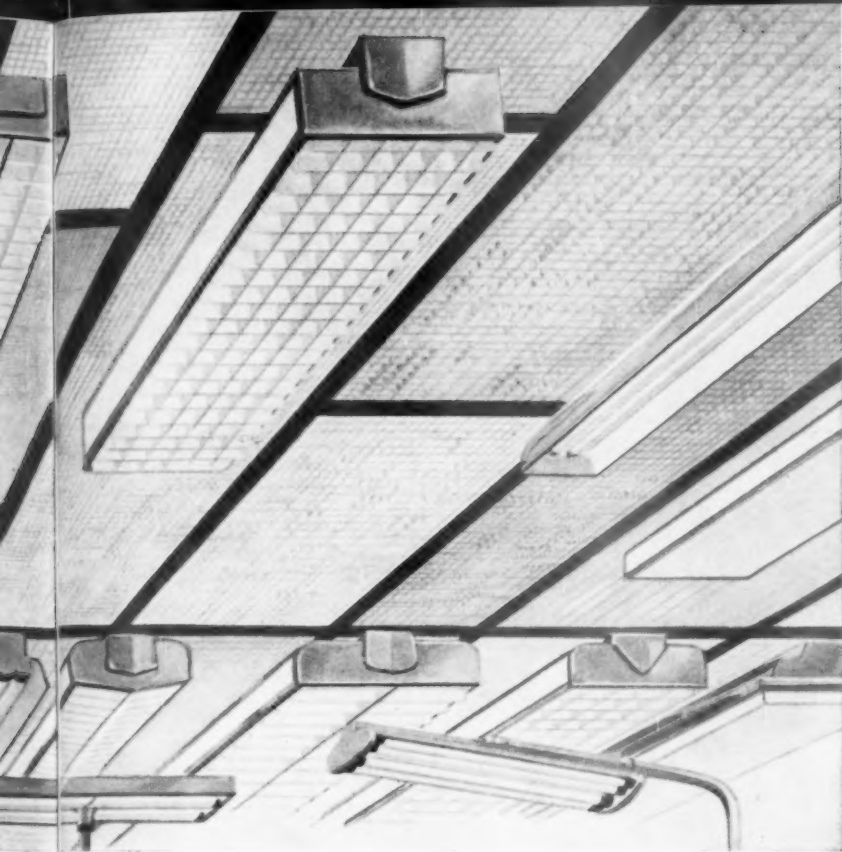
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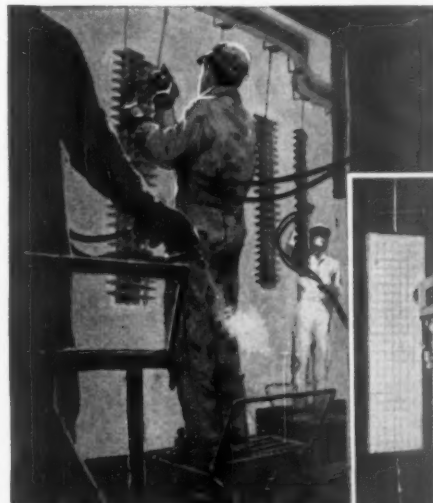


PASTEL SHADES of sparkling "Dulux" Enamel add a new color dimension to the Columbia line of luminous ceiling and surface lighting fixtures. Here, discussing these colors in Columbia's Installation Analysis Laboratory, are (L to R) John Morahan, Du Pont salesman, Walter Toly, Columbia's president, Ole Gravbrot, purchasing agent, Don Merillat, Du Pont technical representative, and Ed Caferro, vice president in charge of engineering and special projects. The 300-sq.-ft. ceiling shown here can be raised or lowered from 7 ft. to 12 ft. as a "proving ground" for Columbia Lighting units.

NEW TOTE TANKS make storage of "Dulux" more convenient for Columbia. These special 400-gal. Du Pont shipping containers reduce handling costs, offer bulk shipment price advantage and conserve space. Two tote tanks are shipped in at one time and contents transferred to mixing tanks (background). Here (L to R) Don Filibeck, painting foreman, and Roy Cornwell, plant superintendent, check viscosity of "Dulux" Enamel.



ELECTROSTATIC FINISHING assures a uniform coating of durable "Dulux". Here, whirling disks fling negatively charged paint spray onto positively charged metal louvers. There's little or no overspray.



STEAM SPRAY is final finishing operation before fixture parts enter bake oven. A Du Pont development, the steam spray gives maximum coverage with one pass of the spray gun. Note steam "bleeding" from gun not in use, preventing moisture from collecting in paint.



BRIGHTNESS TEST shows high reflectance of "Dulux" Enamel. Ron Kimm of the Columbia staff takes reading of illuminated louver on Spectra Brightness Spot Meter.

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LABOR

IUE Seeks Contract Breakthrough

Negotiations opening next week in electrical manufacturing industry will be labor's third big attack for major bargaining gains.

The big industrial unions' continuing drive for contract gains will concentrate this year in the electrical manufacturing industry. The decisive negotiations will get under way next week with General Electric, later with Westinghouse.

The major attack will be the third by the industrial union bloc in three years.

In 1958, the United Auto Workers under Walter Reuther fought stubbornly for substantial contract gains but met with strong employer resistance; the agreements signed were for less than the union had won in previous bargaining.

In 1959, the United Steelworkers led by David J. McDonald clashed for nine months against powerful and consolidated management opposition. Backed by all labor, USW struck for 116 days to enforce its demands—until the Taft-Hartley Act was invoked to get basic steel mills back into production. When a settlement finally came, in early January of this year, USW got only part of what it wanted.

Now, the International Union of Electrical Workers and other unions in the electrical manufacturing industry plan to go all-out to break management's lines against sharp increases in labor costs. IUE's Pres. James B. Carey and other leaders would like to accomplish more than Reuther and McDonald at industry bargaining tables. In moments of frankness, they concede that this will be awfully hard to do.

Management Stands Firm—General Electric's bargaining team will show a sprinkling of new faces, including the genial but firm face of Philip D. Moore, GE's new chief negotiator. Lemuel Boulware, GE vice-president who headed bargaining in 1955 and earlier, will be missing—but the unions are almost certain to protest that "Boulwarism" is continuing as a GE bargaining technique.

Westinghouse negotiators will be led by Clark C. Frame, director of labor negotiations. Facing the same union demands as GE, Westinghouse is expected to be equally firm against substantial concessions.

There is no indication of any management bargaining entente in the electrical manufacturing industry—neither one as public and tightly welded as that in steel last year nor one similar to that



GE's top negotiator at next week's contract talks with IUE will be Philip D. Moore, a newcomer to bargaining table.

in the auto industry in 1958, a looser but still effective form of cooperation. Nevertheless, GE and Westinghouse pre-bargaining statements show strong parallels in thinking and policy.

Both are determined to hold cost lines, even if this forces new showdowns with unions.

I. The Unions Get Set

Aware of the fight ahead, major unions in electrical manufacturing are allied—through the AFL-CIO Industrial Union Dept.—for a joint fight for contract gains.

Union Bloc—IUE, the dominant union in the industry, is taking the lead in the union bargaining block. The others allied with it are the International Assn. of Machinists, United Auto Workers, the International Brotherhood of Electrical Workers, and the small American Federation of Technical Engineers.

IUE, the Machinists, and IBEW got together in October, 1958, for a joint campaign to "obtain meaningful job security for all GE and Westinghouse employees" in a contract reopening (BW—Nov. 1 '58, p. 74). Their campaign failed, but the rival unions showed a surprising solidarity.

The original alliance was renewed—and broadened—for the contract negotiations this year. IUE's Carey on several occasions has spoken for the group. It's still doubtful that this means that there will be joint bargaining in any real sense of the term. The Machinists, for one, has said more than once that it does not intend to cede to anyone bargain-



WESTINGHOUSE bargaining team will be headed by Clark C. Frame, when negotiations with IUE begin in mid-August.

ing responsibilities for its members.

However, there can be strong cooperation—even collaboration—without joint bargaining. Something like this appears far more probable. IUE, representing the most unionists in electrical manufacturing, expects to mount the first attack wave against GE and Westinghouse.

Considerable Demands—It has placed its demands before both managements. They are considerable:

- A general wage increase—a minimum of 3 1/2%—with an added 25¢ an hour for skilled workers, to strengthen their skill differential.
- The elimination of area differentials in wages—by raising all rates to the highest for the job anywhere in the country.
- A continuation of cost-of-living escalation.
- An eighth paid holiday each year and longer vacations.
- A supplementary unemployment benefits (SUB) plan similar to those in effect in auto and steel and other industries, but with a probable higher cost.
- Separation pay—one week per year of service after a one-year layoff.
- The elimination of employee contributions to pensions, with increases in minimum benefits and a cost-of-living allowance should prices go up higher.
- Insurance concessions.
- The right for workers to follow jobs if plants are shifted or work is transferred; also, the right of workers to maintain seniority and all job credits in such a relocation.
- A bar against subcontracting

This unretouched photo shows a dramatic ceiling treatment achieved with Ceko Steeldomes in a Fred Harvey tollway restaurant near Chicago. Ceko-style waffle ceilings are ideal for commercial and industrial buildings, schools, hospitals, hotels and shopping centers. Architect & Engineer: Pace Associates. Contractor: Ragnar Benson, Inc.



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work unless all laid-off workers are recalled first.

- **And, importantly, a union shop.** The IUE proposals to both GE and Westinghouse also include one for the creation of a joint labor-management committee with a neutral chairman to "properly share the benefits of automation" between stockholders, employees, and the consumers.

- **Company Reaction**—The two companies received the union demands in what they called "listening sessions" in June. Neither was particularly surprised, although GE took exception to the demands as "astronomical" and certain to cost "by conservative estimate" \$500-million over a two-year period.

IUE defends the demands as justifiable. It has been girding for tough negotiations for a long time. Its leaders believe IUE is now ready to press to a "substantial" victory, backed by its electrical manufacturing allies and other IUE unions.

- **Critical Issue**—However the situation seems to be shaping up this way:

- "Job security" rather than economic issues will be critical in the coming negotiations. On wages, IUE is asking for about 8½¢ an hour, on the average, pennies more than the companies apparently are prepared to offer. However, the union leadership is believed to be more intent on SUB, severance pay, and other "security" demands than on wages. Its pressure will be behind these things; its area of compromise lies in its wage demands.

- The IUE will find it hard to whip up real strike sentiment—if any strike sentiment at all—on the non-economic issues it will press the hardest. But, backed by a smart public relations counsel, it's going to try hard to do what the United Steelworkers did in 1959—persuade its members in GE and Westinghouse that accepting the companies' terms will jeopardize their jobs.

Meanwhile, IUE has bolstered its centralized strike authority through a revision of the union constitution. In the past, it was easy for reluctant large locals to veto the international's strike plans. Schenectady, Lynn, Bridgeport, Pittsfield, and others did this in 1958, to defeat Carey's call for a GE walkout. It's harder to veto Carey now; he is substantially reinforced against anti-administration dissidents.

- **Statesmanlike Stand**—Now stronger, Carey is making a public show of bargaining responsibility and statesmanship. He is talking labor peace—not strife. "No labor leader with any sense goes out looking for strikes," he said recently. This is much different from the sword-rattling of Carey's past.

IUE's demands may make a long list but, Carey says, he is a reasonable man; he is willing—and anxious—to bargain

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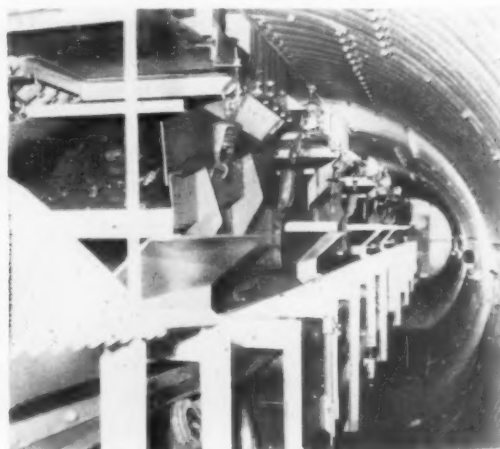


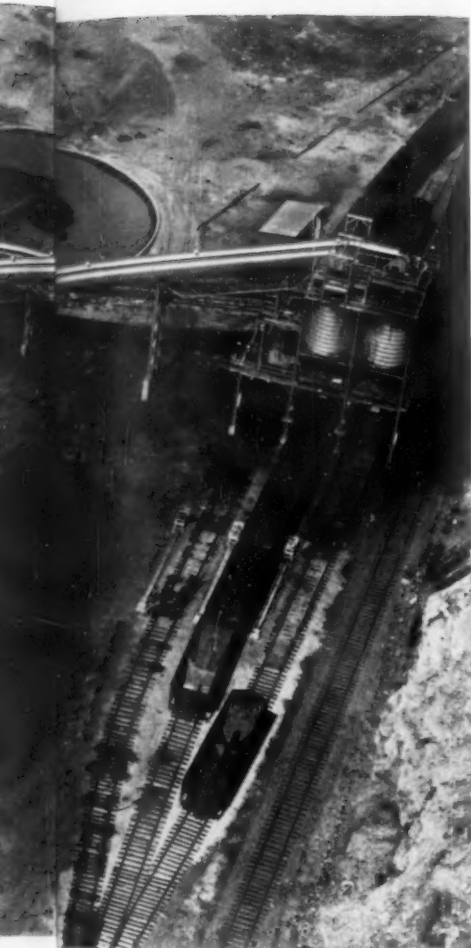
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on the demands, and would like to get down to negotiations as quickly as possible with a determination to "reach an agreement well in advance of expiration dates without talk of strikes and lock-outs."

Although GE and Westinghouse deal with many other unions—including the still-important independent United Electrical Workers, IUE's principal rival—their concentration apparently is on IUE at this time. They consider the Carey-led union the key to peace or stoppages in electrical manufacturing this fall.

II. GE Readies an Offer

General Electric has been preparing for this year's bargaining for a long time. Even during the steel negotiations of 1959, GE was thinking ahead to its contract dates with IUE and other unions.

Last week, the company said that "when the appropriate time comes, we will attempt to make a calmly considered, fair and firm offer . . . one that includes everything which our total research and listening efforts have indicated as most appropriate to the common interest of all concerned."

• **No Horsetrading**—GE said that when the offer is made, nothing will be held back to be added later in bargaining. The company will be "genuinely open" to evidence from union negotiators that revisions should be made—but it won't engage in any bargaining table horsetrading.

This has been GE policy for more than a decade. The unions call it "Boulwarism" and complain that it really isn't bargaining at all. Jim Carey, for example, alluded obliquely to the pattern of the past just recently, when he said, "I don't think GE will be as stupid as the steel industry, freezing its point of view prior to negotiations."

GE's offers through the years haven't followed national patterns or been based on bargaining developments outside the electrical manufacturing industry—or, more precisely, outside GE itself. In this the company has been independent.

Because GE uses much the same data on economic factors in negotiations, its offers have run parallel in many ways to hard-bargained settlements in other industries. But GE has resisted some things now common in other contracts—the union shop for one thing, SUB for another.

• **Trouble Areas**—It's probable that GE has tailored another reasonably attractive offer for its employees, and that at the strategic time it will put its highly effective communications apparatus to work selling the terms to its employees. Still, trouble may be ahead. Many of the "security" demands IUE intends to press the hardest are points GE is un-

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It will balk at SUB and at the union shop, and, it says, the company "must" hold a tight line against inflationary cost rises—as protection against "competition of growing effectiveness from both Europe and Japan," and at home against "new, lower-cost companies."

The "astronomical" demands from IUE indicate that despite their show of "sweet reasonableness," the union's officials aren't approaching bargaining in any "significantly different way necessary to meet the new competitive situation," GE is warning publicly. It is undertaking to explain "strike possibilities—and, we hope, improbabilities" to customers, suppliers, and others vitally interested in the GE bargaining this year.

IUE criticizes this as "talking strike," even before the start of bargaining.

• **Early Start**—A month ago, the Carey-led union asked for an early start of bargaining. GE wasn't particularly interested, explaining that it interpreted the request as an effort to get GE's firm offer on the table early—to give union negotiators "endless sessions, week after week [for] hammering away at our 'not bargaining' because we are not moving up toward splitting the difference" between offer and union demands.

This Monday, however, GE offered to begin negotiating next Tuesday, providing that questions of employment security be discussed first. GE's chief negotiator, Philip Moore, suggested that the first six meetings over a two-week period be used for reports from local IUE officials on employment problems in their plant communities. IUE was willing to accept the July 19 opening but was rather cool toward the reservation.

Altogether, GE deals with some 100 unions, most of them for only a handful of craftsmen here and there. IUE is far and away the biggest union. It claims to represent about 100,000 GE employees but probably bargains for about 80,000. GE negotiates nationally only with IUE, the United Electrical Workers, and the Patternmakers. Otherwise, it bargains—with the Machinists, UAW, and others—on a local basis, although it makes the same basic offer to them that it does nationally.

III. Westinghouse Plans

Westinghouse Electric faces bargaining with four major unions—the largest IUE—and many small ones that negotiate particularly for craftsmen. Contract talks can open in mid-August, with Clark Frame heading the corporation negotiators.

As GE, Westinghouse received an advance look at IUE's demands. They were "very heavy," as management

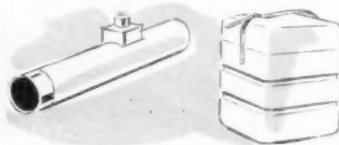
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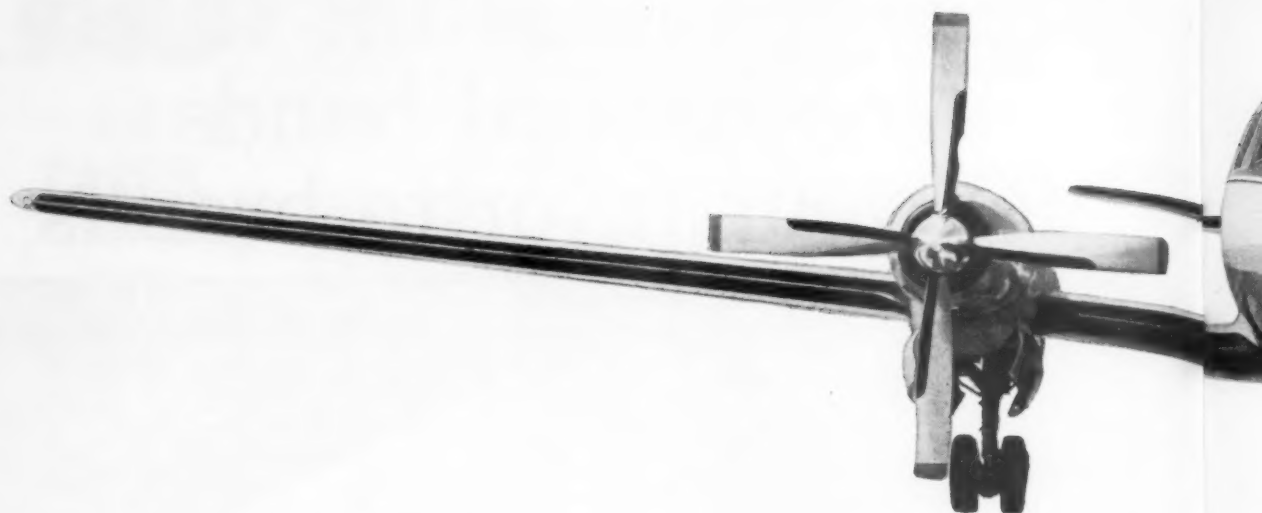
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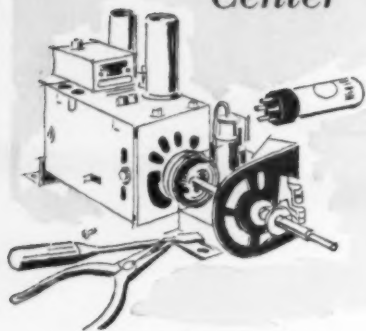
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weighed them. They will be strongly resisted.

Howard S. Kaltenborn, vice-president and assistant to the president, recently made clear that Westinghouse feels that management—all management—must bargain with initiative in the 1960s.

• **Past Frustrations**—The past decade was a frustrating one, according to Kaltenborn, because management "was unable to achieve urgently required progress in industrial relations." Wage increases were of unprecedented size; annual wage increases became an almost universal pattern in major industries. Employee "fringe benefits" were expanded and broadened. And there was "a conspicuous trend toward broad-based bargaining, toward pattern bargaining, and to long-term union contracts," Kaltenborn said.

Westinghouse believes—or hopes—the situation may be changing now. Management is entering another era of industrial relations with "an opportunity, unparalleled within the past quarter-century, to influence the course of industrial relations along constructive lines."

"How effectively management seizes this opportunity will, I believe, decisively determine the general course of industrial relations for years to come," Kaltenborn said.

The unions have interpreted this as a notice of tough bargaining—but Westinghouse has bargained tough before. It took a long strike several years ago. With negotiations coming up again, it's apparent in many Westinghouse plant communities that unionists in IUE feel that if there's to be a strike, it should be against GE this time.

Co-Existing With Automation

Closing of antiquated meat-curing plant speeds up Armour's studies of how to cope with human problems growing out of automation.

Armour & Co. last week shut down a 50-year-old, money-losing plant in Oklahoma City. An official announcement said the closing had been decided on reluctantly because the company couldn't see any way of reversing losses in the antiquated meat-curing and sausage-making plant.

Armour gave severance pay—as provided in its union contracts—to 400 production workers, to help tide them over until they can find other employment. Meanwhile, the machinery of the Armour-unions automation fund program whirled into action.

The meatpacker and its two major unions—the Amalgamated Meat Cutters & Butcher Workmen and the United Packinghouse Workers—set up a company-unions-public committee in a contract settlement last September (BW—Sep. 19 '59, p. 56). Armour agreed to finance its work, to a maximum \$500,000 over two years, through a royalty plan.

The money—a penny for every hundredweight of meat products shipped—is earmarked for use to "cushion whatever unemployment may arise through the introduction of automation" in meatpacking.

Specifically, the parties agreed that the fund (now \$250,000) would be spent at the discretion of the committee for:

• Studying problems arising from modernization and mechanization.

• Developing solutions (possibly the retraining of employees for new or changed jobs or for their relocation

in Armour plants where job opportunities remain or are increasing).

• Considering any other methods that might be employed to promote continued employment opportunities.

• **Feeling the Way**—The broad objective was clear—to help Armour and the unions cope with human problems growing out of automation. The ways to the objective lay in an uncharted area. The committee of nine has had to feel its way.

Before last week, it had hired a number of university professors on a contract basis to make general studies. When the Oklahoma City plant shut down—creating immediate problems—the joint committee with a neutral chairman retained two university specialists on problems of dislocated workers. It sent them into the plant city with broad, somewhat flexible instructions.

Prof. Richard Wilcock and Prof. Walter Franke are colleagues on the faculty of the University of Illinois Institute of Labor & Industrial Relations. They have done recognized work on the human impact—on employees thrown out of work—when old or outmoded plants shut down.

The professors first checked over the Oklahoma City plant built in 1910 by Morris & Co. for slaughtering operations and used by Armour since 1923.

Six years ago, Armour had 1,000 employees in the plant. In April, 1958, with new methods and automation spreading in the meatpacking industry, Armour discontinued hog and lamb

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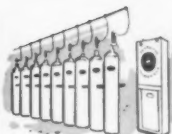
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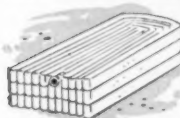
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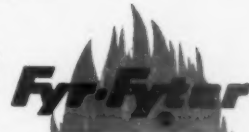
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slaughtering there. The work force has been dwindling since.

After checking over the plant—with some thought to possible other uses—the two professors began a long, painstaking task of interviewing all Armour jobless in Oklahoma City on their work history, education, family status, and prospects for future employment.

• **Basis for Planning**—Nobody has any idea whether the Wilcock-Franke study will lead to any employment opportunities for the idled Oklahoma City workers. Armour and the unions hope it will, of course. But even if the study doesn't lead to jobs, it is considered vital for future planning.

In a little more than a year, Armour has closed six plants. It still operates 26 slaughtering and 50 processing plants, but its employment over the past five years has dropped from 60,000 to 40,000 nationally. Its production hasn't reflected the drop. With automation, it's able to produce more with fewer workers.

Nobody says it, but more plants may shut down and the total work force may drop further. With that possibility, as many factual data as possible are being sought by the automation committee.

• **Other Areas**—In addition to the work being done in Oklahoma City by Wilcock and Franke, studies are being made on a contract basis by professors in these broad areas:

• The economic future of the meatpacking industry, with emphasis on employment in the year ahead. (This study is due to be completed by Sept. 1.)

• The problems involved if workers are transferred from a closed plant to one still operating. For instance, do the transferred workers take with them seniority, pension, vacation, and other job rights? (This is due by yearend.)

• The maintenance of automated equipment in the industry—in terms of the skills required. The questions involve: How does a company select such workers? What training does it give them? If they are transferred from the regular work force, how are they to be protected if layoffs occur? (This is due by Mar. 1, 1961.)

• Training programs carried on separately or jointly by companies and unions in other industries to prepare workers for handling automated equipment. (Due next March.)

• **Long-Range Goals**—Not all of the professors are industrial relations specialists with an interest and experience in sociology. Some are engineers and electronics experts. A number are studying specific problems that came up in two, possibly three, other closed Armour plants.

Dr. Clark Kerr, president of the University of California, is impartial chairman of the automation committee. The



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eight other members include four representatives of management and two each from the Amalgamated Meat Cutters and UPW. Robben W. Fleming is executive director but not a member of the committee; he is a University of Illinois law professor and a former director of the university's Institute of Labor & Industrial Relations. Of the committee, only Kerr and Fleming are paid.

• **Union Support**—Generally, the unions are wholeheartedly in support of the committee and fund program. But

some locals in the labor organizations say they are disappointed because there are no signs—yet—that automation unemployment is being cushioned beyond severance pay, not in any way a part of the new program.

The committee, including its union members, concedes that this is so; at present it doesn't in any way anticipate that it can do anything for those already terminated—and given severance pay. The committee doesn't feel that it is expected to. Members say their goals are longer-range.

Carriers Press Rules Changes

Faced with higher wage costs, roads request immediate negotiations on rules, to recoup cost increases. Study commission plan fails as unions balk at binding award.

The nation's railroads this week called on four unions of train operating employees to start negotiations in the immediate future on carrier demands for work rule changes that could save the roads millions of dollars.

Earlier, the carriers rejected union proposals for a special commission to study the roads' wage structure and demands for rule changes. The carriers said they would agree to a commission only if its rulings are to be final and binding. The unions aren't willing to submit the work rule dispute to such a commission.

The latest turns in national contract bargaining in the railroad industry were considerably overshadowed by a strike of 1,350 members of the Brotherhood of Railroad Trainmen against the Long Island RR in New York. The unionists quit the trains in a fight for a five-day week without loss of pay from their present six-day week, a campaign that could spread in time to other commuter road unions. In national perspective the LIRR strike was minor but it had a heavy impact on New York commuters.

In the national railroad bargaining:

- **Presidential fact-finders** recommended a "pattern" settlement—4% over two years—for the 17-month wage dispute between the Switchmen's Union and 17 Western carriers and terminal companies. An emergency board recommended a 2% pay hike effective July 1 and another 2% next Mar. 1, with no further increases until after Nov. 1, 1961. The union had pleaded for more than other operating brotherhoods got, to settle a claimed wage inequity, but the board rejected this. If the recommendations are accepted by the parties, the 1959-60 wage dispute involving operating unions will be all over.

- **Negotiations on wages for non-**

operating unions with 550,000 members recessed for two weeks to allow chiefs of several of the 11 unions to take part in the Democratic nominating convention in Los Angeles. An emergency board recommended a 5¢ pay raise effective July 1 and "fringe" concessions in 1961. The unions asked the carriers to negotiate further on the basis of the recommendations, which are not binding.

- **Impasse**—In the forthcoming work rule negotiations, the carriers want six substantial changes—without delay—to help them recoup \$200-million in labor costs added by the wage settlements already put into effect or recommended. A key demand is the elimination of firemen on diesel locomotives in freight and yard service.

When the carriers and brotherhoods came to grips with work rules last week, for the first time this year, the unions suggested that a tripartite commission should consider the carriers' demand and "such other proposals as either party may desire to submit."

The brotherhoods suggested that nonbinding recommendations would set a pattern for settlements.

The roads—determined to press for settlements without further long delays—objected that the commission study could stretch out for two to five years and then lead to no definite solutions to existing problems. A spokesman said that the carriers have already lost a year and a half on this, since work rule changes were first demanded in February, 1959. Now, with wage costs going up, new delays cannot be accepted, he said.

The brotherhood indicated that immediate negotiations aren't likely, despite the position of the carriers. A minimum of 30 days will be needed to appoint and brief negotiating committees, the brotherhood said. **END**

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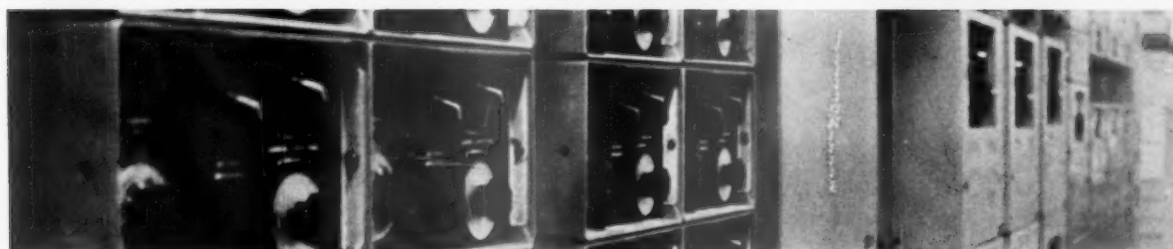
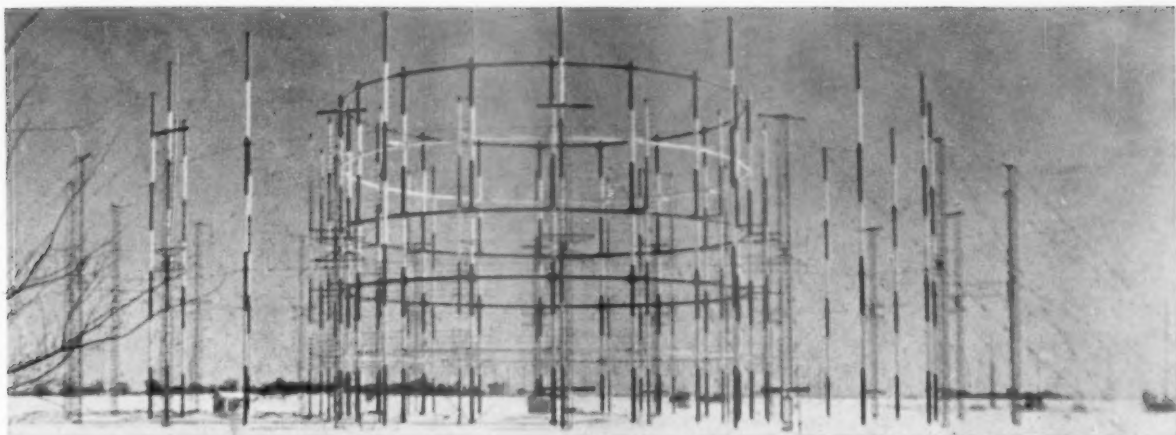


6. Data systems

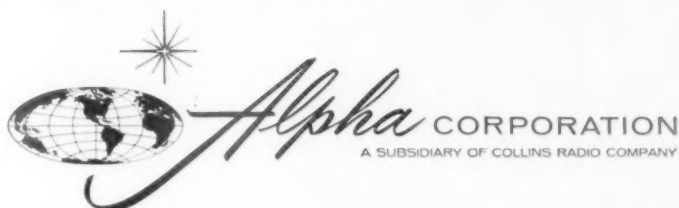


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The world’s first atomic-powered cruiser will use Ingersoll-Rand main boiler-feed pumps and main-feed booster pumps.



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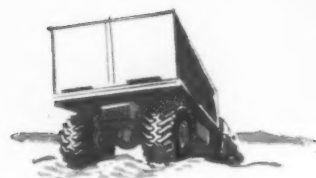
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In Labor

• • •

AFL-CIO Crafts and Industrial Unions

Seek "Something on Paper" in Jobs Row

A top-level committee named by AFL-CIO to try to settle differences between the crafts—particularly the building trades—and industrial unions hopes to have "something on paper" before the federation's executive council meets in August. However, it isn't in the least optimistic that this will end their long job dispute.

The committee named by AFL-CIO Pres. George Meany last February held a "pretty fair" meeting recently, according to a participant. It set up a subcommittee authorized to draft proposals for resolving jurisdictional differences between the Building & Construction Trades Dept. and Industrial Union Dept. of AFL-CIO.

Everyone will be surprised if the proposals are even a good, sure step toward a settlement. The parties are still poles apart in their argument, as bitter as ever.

The argument is over jobs:

- The crafts want jurisdiction over any construction work done by contract—and a guaranteed right for any employer to contract out construction work if he wants to.

- Industrial unions, particularly those badly hurt by layoffs or declining employment, want to bar contracting out (the use of outside contractors and craftsmen for building work) while production workers are laid off. For example, aircraft unions say furloughed members on missile bases should be used for construction now being contracted out.

• • •

UAW and Chance Vought Sign Contract;

Union Cites Gains, "But Not Enough"

The United Auto Workers and Chance Vought Aircraft agreed on contract terms late last week, clearing up another trouble spot in long and difficult aircraft-missile bargaining. The agreement, applying to a plant near Dallas, ended union "hit and run" harassment adopted instead of a strike (BW—Jun.18'60,p50).

The new contract shows 15 changes from its predecessor, which expired Mar. 17. According to the union, it includes "some important gains." But Roy Evans, president of UAW Local 893, said the union "could have and should have done better."

Wages weren't the main issue. Negotiations bogged down over management rights, particularly, including job classifications. The settlement was on the basis of a company offer made June 29, accepted by a 3-1 union vote.

Wages will rise an average 5½¢ an hour this year and 7¢ more in 1961, for a 12½¢ gain over two years. Fringe concessions add "about 4¢ an hour" to the settlement. A company-union committee will study job descriptions during the next six months, to seek an agreement; if one isn't reached, the union can strike.

The union won a point when the company agreed that the union must approve "loaning across occupational lines" in the plant—the temporary assignment of workers to other jobs. The union lost, however, on a demand for compulsory arbitration of contract disputes.

• • •

UMW Shows No Great Eagerness

To Return to AFL-CIO Fold

After John L. Lewis retired from the United Mine Workers presidency, a number of high officials of AFL-CIO let his successor, Thomas F. Kennedy, know that UMW would be welcomed back into the federation.

A few days ago, reports spread that UMW might return to AFL-CIO at the latter's executive council meeting in August. UMW spokesmen quickly—and firmly—denied this.

UMW can be expected to work more closely with AFL-CIO now; eventually the miners probably will return to its ranks. But several things stand in the way of early reaffiliation:

- The miners' officers are reluctant to turn, so soon, against a policy of separation clung to stubbornly, and sometimes angrily, by Lewis through the years. The UMW has steered its independent course for so long that it's wary of rejoining AFL-CIO and being bound in any way to its policies.

- Most of all, UMW's hopes for future growth rest largely in future expansion of its catchall District 50, not limited now by union jurisdictional boundaries (BW—Jun.25'60,p47). If UMW reenters AFL-CIO, District 50 would have to give up its present "anybody, anywhere" organizing policies; some in AFL-CIO insist District 50 would have to be broken up entirely.

• • •

Labor Briefs

A week-long strike by engineers and scientists at five Radio Corp. of America plants in the Philadelphia area ended early this week in a "conditional" agreement by RCA and the Assn. of Professional Engineering Personnel on money and other terms. Those paid \$6,000 to \$20,000 a year will receive a 4½% increase; a merit review dispute was compromised.

The Teamsters failed again in a drive to challenge the International Union of Electrical Workers for jurisdiction over General Electric's Appliance Park plants at Louisville. The NLRB rejected a Teamsters election petition; it said the union needed 3,300 signatures—or 30% of the work force—but only had 2,946 valid names. Layoffs had hurt the Teamsters. The campaign against IUE will continue.

Dockers in Hawaii have signed a new contract that sets up a \$450,000 "mechanization fund" to be used through June 15, 1961, to ease the impact of automation on workers. Negotiated by the International Longshoremen's & Warehousemen's Union, the pact guarantees an annual wage of \$4,693 for regular dock crews, provides limited severance pay for some others.

INDUSTRIES

New Type Boat Yards Cater to Owners, Too

Before the automobile could become a practical possession, someone had to invent the service station. The boating industry, ever eager to compare its present boom with the beginning of the automobile age, is busily inventing the seaside version of super service.

The result is a relatively new breed of boat yard—almost universally called the marina. As the pictures indicate, the scope of these purveyors of seaside service far outdistances their usual highway counterparts—combining, at their most elaborate, the activities of an automobile service station with those of a motel in its most advanced stage of development.

Though not all are so elaborate as this, the marina most often offers not only storage, repair, and fueling facilities, but stores, bar service, baths, and sometimes swimming pools and hotel rooms. This expansion of facilities, of course, brings with it problems of high construction cost, difficult financing, and slow return on investment that few service stations have had to cope with—and this tends to keep marinas from multiplying as fast as demand.

• **Boost for Boats**—What marinas mean to the boat industry is clear, however.

With 8-million pleasure boats in backyards and boat basins, the strain on service facilities is acute all over the country. Thousands of boat owners have discovered that having an outboard on a trailer is only the first step toward sport on the bounding main and the scramble to get it into the water on weekends has turned into a major traffic tie-up. Thousands who would like to leave their boats moored at dockside instead of hauling them in and out find themselves tacked on the end of a long waiting list.

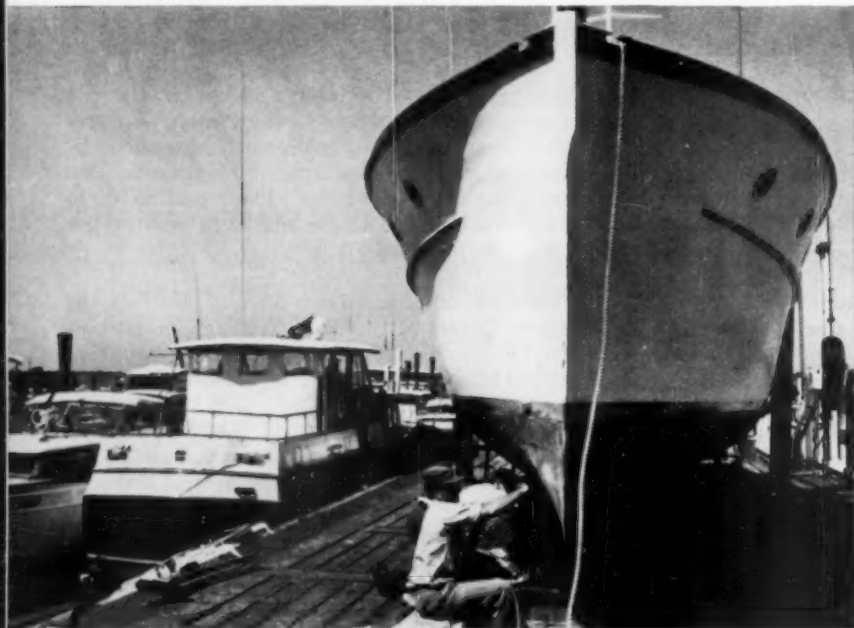
Boat manufacturers, so far rather complacent toward the shortage of facilities, are getting more and more worried. For the first time since the boating boom began in earnest, sales of new boats are leveling out.

The talk in the industry is that if sufficient berthing and launching facilities were available, there would be an immediate demand for 2½-million more boats—not only by prospective first-boat customers who have no place to keep one, but by present boat owners who want to trade up to a larger boat, for which dock space is an absolute necessity.

• **Countrywide Story**—Wherever you

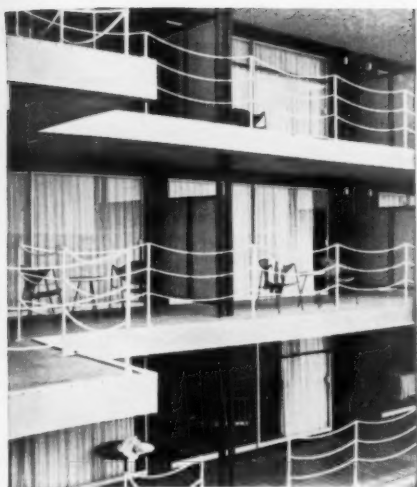


DOCKS at Terra Mar on Long Island Sound are directed from control tower; they provide less than third of revenue.



TRADITIONAL boat yard for yachts at New York's City Island gains almost all its income from mechanical services and sales.

NEW KIND of marina, Terra Mar at Saybrook, Conn., does no boat maintenance, gets income from hotel, pools, catering.



THREE-STORY hotel faces Terra Mar docks and pools, has large meeting rooms management hopes will draw sales meetings.



DINING facilities will accommodate 300. Terra Mar's management is also putting in steam baths and has added coffee shop.



POOLS—three large ones for wading, swimming, and diving—are big attraction. Local people rent cabanas to get pool rights.



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turn, the story on crowded docks and launching ramps is the same. Chicago's Park District, which manages the city's Lake Michigan waterfront, won't even accept applications for the few hundred slips available—the waiting lists are already too long. Metropolitan New Yorkers have to travel miles to Long Island Sound harbors, up the Hudson River, or down the nearby New Jersey shore, to find a snug harbor. Texans, with their 241,000 boats, complain about lack of good facilities. New Orleans needs 5,000 new slips, according to the Times-Picayune boating editor.

Even where new marinas are building, the boat owners' blues don't disappear. A municipal marina in Alamitos Bay at Long Beach, Calif., which now accommodates a respectable 500 boats, has 3,000 applicants for 1,300 new slips. Boat owners who would like to tie up at the new Boston Harbor Marina are put off pending completion of two new piers.

• **Shoreside Boom**—The insatiable demand is sparking a boom in shoreside facilities, but the type of growth that results is not always the best for the boating industry. In many areas, marinas are sprouting like weeds, creating shoreside slums—and running into opposition from local residents and bodies politic.

The big marinas with attractive multiple facilities, which are often a boon to their localities, are still something new, and are few and far between. Though they promise to make boating bigger and better than ever—and though boat owners are big spenders and will pour between \$2-billion and \$3-billion into the sport this year—the big marinas are too expensive and hard to finance for most investors to handle.

• **High-Cost Projects**—A really good permanent marina can cost several millions, and there's no magic formula that guarantees a fast return on investment. Prices for real estate in areas suitable for marinas have doubled, tripled, sometimes jumped more than 100 times. Construction cost for decent moorings runs from \$1,000 to \$2,000 per slip when the basic amenities such as dockside electric power, lights, and water are included. Even at the highest rentals, this means a payout time of five to 10 years.

If building a marina is tricky, financing it is even harder. Banks, insurance companies, and most brokers turn a cold shoulder to the risk. There are all too few successful examples to go by.

• **Fanciest**—Terra Mar, at Saybrook, Conn. (pictures, page 68), the fanciest marina on the New England coast, is one of the few private marinas in the million-dollar class, and it has had plenty of trouble making ends meet so far. In two years of operation, it has gone through three reorganizations of

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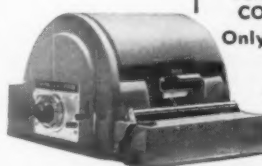


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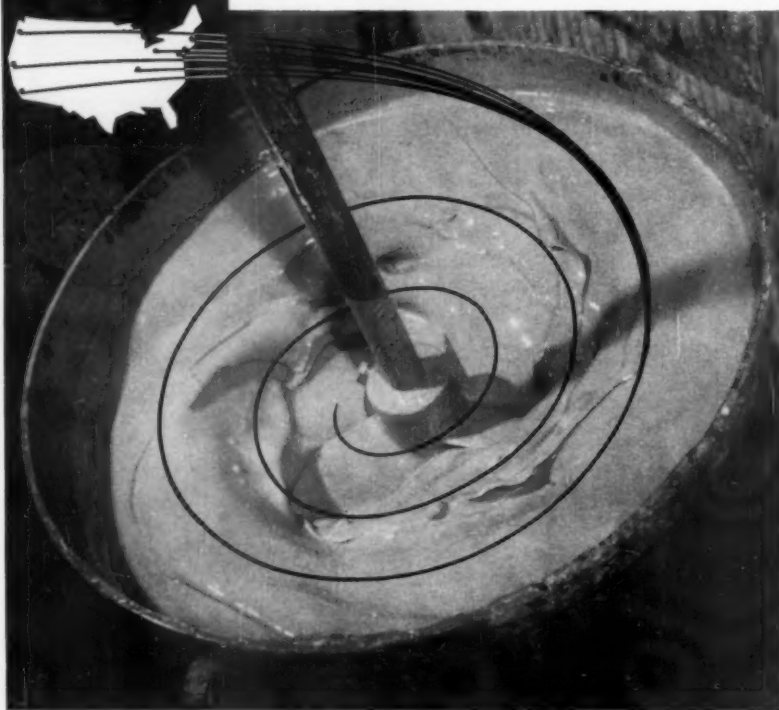
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management and ownership. This year it's just starting to go into the black.

Its costs show the complications in building shoreside facilities. The backers of Terra Mar invested about \$110,000 in its 110 slips, but shoreside construction, including grading and fill, ran up nearly \$800,000 more.

The salient feature of Terra Mar is its docks, but the greater part of its revenues come from its "boatel" facilities—a three-story hotel, restaurant, swimming pools, and so on. The marina operations—docks rentals and sales of fuel—supply less than a third of revenues, according to E. T. Crown, a professional hotel man who now manages the entire operation.

Terra Mar's slip charges are high for New England waters—its 54 permanent tenants pay from \$175 to \$300 a year for space, and transients are charged a minimum of \$5 a day.

So far this year, Terra Mar has been full every weekend. It usually has about 20 transient boats each weekday. A large proportion of the transients take advantage of hotel accommodations—at \$18 to \$22 per day per person, with dinner and breakfast. Pier 66 in Fort Lauderdale, Fla., another "boatel," also finds that yachting people welcome the chance to sleep on solid ground.

• **General Pattern**—Terra Mar is at one extreme of the broad range of operations known as marinas. It emphasizes hotel and entertainment services, sends boats in need of repairs or maintenance searvices to nearby boat yards.

Most marinas go at it the other way round—the great majority are patterned after or are outgrowths of existing boat yards. But they are similar to Terra Mar in not depending solely on slip rentals for revenue.

In a survey of 190 marinas, the National Assn. of Engine & Boat Manufacturers found that nearly a third of their revenues came from sales of boats, accessories, or equipment, another third from repairs, boat rentals, and miscellaneous services such as bars, restaurants, winter storage charges. Another 10% of income came from gasoline and oil sales, 20% from mooring and slip rentals. These proportions vary widely with individual marinas.

In general, the pattern of marina development has been for a small operator to start with a dock, add services gradually as he can afford them and as he sees their profit potential.

• **Municipal Backing**—Because of the difficulty in getting private financing, most of the fanciest and best marinas in the country have had municipal backing; it's almost the only way, in fact, a multimillion-dollar project can get under way.

In Fort Lauderdale, Fla., the city took over the 450-slip Bahia Mar Marina in 1952, four years after private



perspectives on productivity

Three plant management men offer their views on how proven ideas from Acme Steel are increasing productivity and lowering costs in vital areas of plant operation.

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STEEL**



a materials handling engineer

a production
supervisor reports
on Acme Steel
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a materials handling engineer reports on Acme Steel **FRAMING**

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a sales manager reports on Acme Steel **STITCHING**

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operators built it. With more city money poured in, it has boomed; assets now total \$3,289,442, and it will gross about \$500,000 this year. Slightly under half its revenue comes from slip rentals, the balance about evenly from concession leases and sales of its marine store. Last year, the city got \$67,851 profit from it, besides the business it has brought local merchants.

One good marina seems to help another. Sales of the successful Pier 66 in Fort Lauderdale, built as an experimental marina by Phillips Petroleum Co., with a hotel and shopping center along with its 142 slips, have jumped from \$135,000 in 1958 to an estimated \$250,000 this year. Lauderdale Marina, a privately operated business nearby, is adding \$1-million worth of facilities.

Miami and Dade County also have publicly owned docks for yachts; with 700 slips; but despite these and some 3,600 private and commercial slips in the area, dock space is very tight in the winter season.

• **West and North-Southern California** has been a bit slower than Florida in providing for boating enthusiasts, but is making up for it fast. In the Los Angeles area, several municipally backed marinas are being built or expanding. The \$12-million Long Beach marina is now being expanded from 500 slips to 1,800.

At Playa Del Rey, Los Angeles County is going all out to build the largest small craft harbor in the world, accommodating 6,000 boats with land storage for 2,500 more. But even this will hardly make a dent in demand.

Northern communities with a shorter boating season are far behind. Chicago park authorities, reluctant to yield any of the city waterfront to boating facilities, recently turned down a request to build a \$12-million private marina. Milwaukee's docks can handle only about 5% of the boats owned by county residents. The city has plans for a \$24-million marina, however.

The New York City area has not had any major new marinas as yet—though several fancy new ones, including Terra Mar at Saybrook, have gone up farther out, in various parts of Long Island Sound. So far, most metropolitan yachting activity has centered at City Island, a tight little island off the Bronx that is completely surrounded by shipyards devoted to yachts and small craft (picture, page 68).

Except for yacht clubs, City Island's shoreside facilities tend to be strictly for painting hulls, scraping bottoms, and overhauling engines. But a new boathouse is planned for City Island soon, a large marina with motel type facilities is under construction about 20 miles up the Hudson from New York, and a municipal marina has been recommended to New York's Board of Estimate. **END**

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CHARTS OF THE WEEK

Worktime Cost of Consumer Items: New York Vs. Moscow (August, 1959)

Moscow Worktime Exceeds New York Worktime by:



Data: Bureau of Labor Statistics

BUSINESS WEEK

Goods Come High to Muscovite

A glance at the chart shows that Russia's "growth" has yet to mean much to the consumer.

Data developed by the Bureau of Labor Statistics revealed that as of August, 1959, the average Moscow worker had to spend an hour and four minutes on the job to earn enough to purchase a pound of sugar. His counterpart in New York made the same purchase with his earnings from only three minutes of labor. Ironically, the Soviet Union is now buying sugar from Cuba at less than half of what the U.S. paid until the recent cutback.

A rayon street dress for the Mus-

covite's wife cost him the equivalent of 73 1/2 hours work, while the New Yorker worked only four hours and 36 minutes to outfit his wife.

Even the solace afforded by a drink comes high in the "worker's paradise." The Moscow worker put in six hours and 19 minutes on the job to buy one pint of vodka; the New Yorker, only one hour and 22 minutes.

New York worktime figures are based on earnings of \$2.17 per hour for production workers in manufacturing. For Moscow, worktime is based on an estimated gross earnings of four rubles per hour for manufacturing workers.

Down South...



PROFESSIONAL QUALITY GOLF BAGS near completion in Burton factory at Jasper, Ala. Burton bags are sold in over 5,000 golf pro shops in the U.S. and foreign countries.



TAPERED SLACKS are fitted on model in new "Patricia Lee" ladies' sportswear plant in Atlanta. This line of high fashion, budget-priced sportswear is sold nationwide by retail stores.



BOAT TRAILER WHEEL is attached by worker in final assembly of an EE-ZY trailer at Panama City, Florida. EE-ZY Company manufactures trailers for small boats and cruisers.

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OUTBOARD CRUISER provides all-year pleasure for the Clyde Woodfield family. Mr. and Mrs. Woodfield, their son, John, and neighbor, Rena Hinman, load the cruiser at a residential dock on one of the bayous near Biloxi and Gulfport, Miss., prior to setting out for a day's water skiing and fishing. Such scenes are familiar on the many inland lakes, streams and coastal waters of the South.

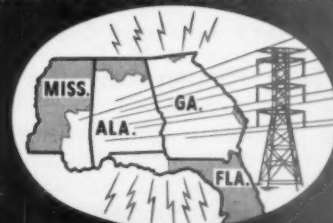
*The last half of the twentieth century
belongs to the South!*

The South's mild climate, its thousands of miles of seacoast and inland waterways and its many beautiful lakes and rivers provide ideal natural facilities for outdoor fun. The tremendous increase in recreational activity has brought about a corresponding growth in Southern businesses which make, distribute and sell items for recreational use. Many national concerns have established plants in the South and local manufacturers, too, have mushroomed with astonishing speed.

Also, service organizations such as hotels, motels and fishing camps have grown spectacularly. In a ten-year period their receipts have more than doubled in the four-state area served by the operating companies of The Southern Company system.

The Southern Company group of investor-owned companies is continually anticipating the growing electric power requirements of the area for industry, agriculture, homes and other uses. In the next three years alone, these companies plan to spend over one-half billion dollars to expand their electric power facilities.

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In Finance

New Tax Law May Make Deep Cuts In Cement Companies' Profits

The cement industry got a rude jolt when Congress—in a rider tacked on the 1960 tax bill—reversed the Supreme Court's 1957 decision in the famous "Dragon Cement" case. This decision sharply boosted depletion allowances that cement companies could take on their tax returns. In consequence, earnings were increased substantially as taxes were lowered.

The new law cuts depletion allowances back to the pre-1957 level. The effect will be to knock down the reported 1959 earnings of most major producers 15% to 20%. This is how Moody's sees the decline in per share earnings:

	1959		
	Reported	Adjusted for lower depletion allowances	Estimated for 1960
Alpha Portland	\$4.14	\$3.24	\$3.25
General Portland	2.27	2.27	2.40
Ideal	1.83	1.45	1.60
Lehigh	2.88	2.24	2.35
Lone Star	2.20	1.84	1.95
Marquette	3.55	3.55	3.75
Penn-Dixie	3.42	2.85	2.80

Data: Moody's Investors Service

©BUSINESS WEEK

Only two major companies, General Portland and Marquette, aren't affected by the new law. They did not take advantage of the higher depletion allowances in their reports to shareholders, but rather continued to show earnings on a more conservative, pre-1957 basis.

For the rest of the industry, though, the new law is going to hurt. There's some discussion in the trade that if the Internal Revenue Service succeeds in applying the new law retroactively, several companies in a relatively weak financial position may be forced into long-term borrowing in order to pay their tax bills.

MGM's Earnings Exceed Last Year's Even Though Revenues Are Lower

Movies may not be better than ever, but profits of the major movie makers—thanks to TV—have come a long way since the industry's dark days of 1957-1958. This was clear last week when Joseph R. Vogel, president of Metro-Goldwyn-Mayer, Inc., announced net earnings of \$2.92 a share for the first three quarters of MGM's current fiscal year. This tops its full year profit in 1959 though revenues this year are lower than last. Other film companies also report brighter earnings.

MGM's gross revenues so far this year run to about

MORE NEWS ABOUT FINANCE ON:

- P. 82—Fiscal maneuvering by electronics companies.
- P. 84—Harry Weinberg—would-be king of transit.

\$97-million, with more than 77% of this coming from production and distribution of motion pictures. Only 10% comes from leasing of pre-1948 pictures. The balance is contributed by recording, music publishing, and operation of movie theaters overseas.

In the profit column, though, it's a different story. TV rentals, only 10% of gross revenues, make up 43% of net profit, while motion pictures brought in only \$2.9-million—or 40% of net profits. MGM's profit breakdown shows that although "blockbuster" films like Ben-Hur are an important source of revenue, the industry is relying increasingly on diversification into TV, as well as other fields, for its profits.

Unlike some movie makers, such as Warner Bros., MGM is going slowly in turning its huge film library into cash. Vogel says MGM's board "hasn't even started actively considering" lease of the post-1948 films. "Whatever the films are worth today," he says, "they're likely to be worth more tomorrow."

(Warner Bros., on the other hand, is negotiating with a Canadian company, Creative Telefilms & Artists, for sale of some of its post-1948 pictures. The initial sale price reportedly will be over \$10-million plus another \$10-million once Creative Telefilms has recovered its acquisition costs.)

MGM also is actively looking for companies to acquire, particularly in the electronics field. It has about \$35-million in cash and short-term governments, and feels that it could generate "up to \$80-million," through borrowings and issuing stock, for the "right acquisition."

State-Chartered S&Ls in Maryland Face a Crackdown by SEC

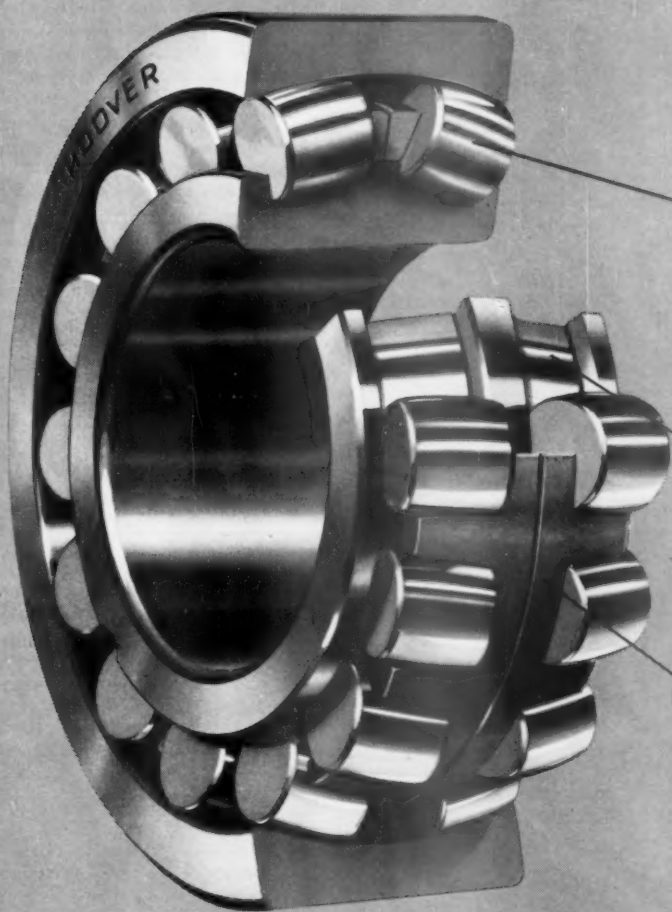
The Securities & Exchange Commission has started a crackdown on state-chartered savings and loan associations in Maryland, the only state except Alaska with virtually no state S&L regulations. SEC has moved to liquidate both American Seal S&L and First Capitol S&L because of alleged fraud in their save-by-mail promotional campaigns.

Both associations are allegedly controlled by James G. Sorce, Jr., who is under federal indictment in New Jersey for other alleged securities frauds. SEC charges, for one thing, that American Seal was merely a "mail drop" for items to be sent to Belleville, N. J.

The big problem for the Maryland S&L industry—which has total assets of \$1.2-billion—is to avoid getting tarred by the SEC brush. S&L men say that Maryland already has a reputation as being "the Reno of the S&L business," and the larger state S&Ls are worried that the bad publicity might seriously stunt their growth. But so far the small state-chartered S&Ls have successfully withstood attempts to pass state S&L regulations.

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New Fiscal Deal in Electronics

- Companies take advantage of high stock prices to redeem convertible debentures and preferred stock.

- The broader equity base paves the way for future borrowing or for sale of more shares.

- Clearing up balance sheets also eases the way for an expected increase in mergers and acquisitions.

Across the country, electronics companies are clearing the decks for a new round of financing and expansion.

The markets are feeling a wave of redemptions of convertible debentures and preferred stocks by small, medium-sized, and large electronics concerns. Companies are taking advantage of high stock prices to call in their securities—at the same time forcefully encouraging holders to convert their securities into common stock.

This broadening of the equity base sets the stage for future borrowing—perhaps at lower interest costs than the earlier convertibles—or for equity financing. By cleaning up their balance sheets, the companies also have put themselves in a better position to bargain when it comes to mergers and acquisitions.

The number of redemptions is still small but it is growing:

Radio Corp. of America is calling its 3½% convertible debentures due in 1980. About \$80-million of the \$100-million issue sold five years ago is still outstanding, and RCA makes no bones that it wants debenture holders to convert. It feels this will strengthen its equity ratio and provide more flexibility for later financing. Wall Street men say this means RCA will be in the market soon with another big convertible issue.

Daystrom, Inc., has called its 4½% convertible debentures due in 1977. Daystrom denies that additional financing is under consideration at present, but it indicates that new financing is not beyond the "realm of possibility."

Jerrold Electronics Corp. is calling its 6% convertible debentures due in 1975. It says its main reason is to end the restrictive indenture that went along with the issue. Especially bothersome is the proviso that the company can make no acquisition unless it pays at least 80% of the price of any acquisition in cash. Jerrold wants to embark on an extensive acquisition program, and found that requirement too confining.

Giannini Controls, Inc., has called its 5½% convertible preferred stock due in 1986. A strong factor, says Benjamin Barth, treasurer of Giannini, is that Giannini is looking to grow, and elimina-

tion of the preferred makes it a lot more flexible in dealing with possible acquisitions.

The list isn't restricted to electronics companies—although electronics seems to be the only industry in which the trend is widespread. Long Island Lighting, Minneapolis-Moline Co., Aldens, Inc., among others, also have called convertible issues for the same essential reason of clearing the decks for future financing.

- **New Cycle**—For the smaller electronics companies, at least, the calling of convertible securities indicates that a full cycle has been completed. In 1957 and 1958, before electronics stocks hit full vogue, the companies sold convertibles partly because they eventually wanted to add to their common shares, partly because they had to sweeten any issue; investors liked them because they offered a current return, as well as giving them a call on what they regarded as growth stocks.

Now the corporate expansion made possible by that financing cycle has been completed, and the companies are looking forward to the next cycle. This time, they hope they are well enough established not to have to beat the bushes for investors. Many of them, since their stocks have risen sharply, also will be in a position to choose the equity route.

- **Conversion**—For many electronics concerns, the incentives to redeem their convertibles or force conversion at this period are great. For one thing, since their stocks have climbed fantastically from 1958 to now, investors have been converting gradually—with no encouragement from the companies. In Giannini's case, 28,400 shares of its 50,000 convertible preferred issue had been converted by May 31. In Jerrold's case, all but \$400,000 of the original \$1.5-million issue had been converted before the company made its call announcement.

Then again, the small companies are in a good position to sell straight equity once they've cleared up their balance sheets, since many of them aren't paying cash dividends and there would be no "additional cost" to the company.

Polarad Electronics Corp., which has called its \$750,000 issue of 6% convertibles, is a case in point. By redeeming its convertibles—or forcing conversion—the company is halting the cash drain of the interest it pays. It also makes its net earnings look better. At the same time, it pays no dividends now, nor does it have any intention of paying any in the near future. "Thus we clean up our balance sheet," says C. J. Eisen, vice-president and treasurer of Polarad, and "we improve our equity ratio for the future."

- **Flexibility**—Barth of Giannini puts a different twist on it. He says conversion clears up a small annoyance in Giannini's balance sheet and makes the company more flexible in dealing with acquisitions and mergers. With the electronics industry in the midst of a great merger wave now, clearing up such nuisances is valuable.

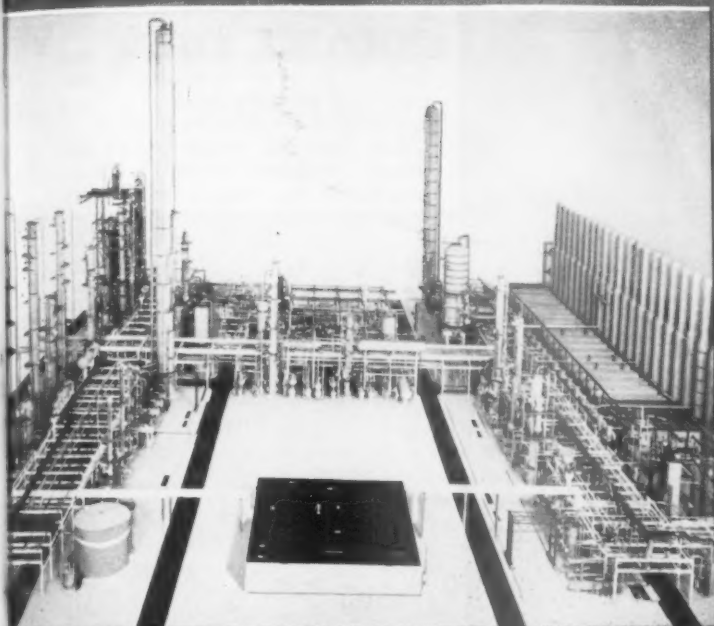
The only thing that might keep more electronics companies from joining the trend is the fear that it might hurt their stock price or bring gripes from stockholders. Giannini, for example, worried about its call because it feared that trusts holding its 5½% preferred stock would not like ending up with non-dividend-paying common stock. But none has complained as yet, and there have been no complaints from individual stockholders.

Most stockholders actually have little to complain about in converting their holdings into common stock. True, the company's common stock price usually drops some points in accord with the new amount of shares outstanding. Thus, RCA dropped some 14 points on its redemption move. But Wall Street analysts say prices usually rebound once the conversion is cleared, if the earnings outlook is still bright.

- **More Attractive**—Conversion usually is much more attractive than redemption. In RCA's case, the redemption price was 104½. But each debenture could be converted into about two RCA shares; RCA traded at \$63 this week, so two shares would be worth \$126. In Daystrom's case, each debenture was convertible into 30 shares of common stock. If redeemed by the company, a holder would get about \$1,060 in cash; if he took the stock, he'd get shares worth some \$1,410 at current market values.

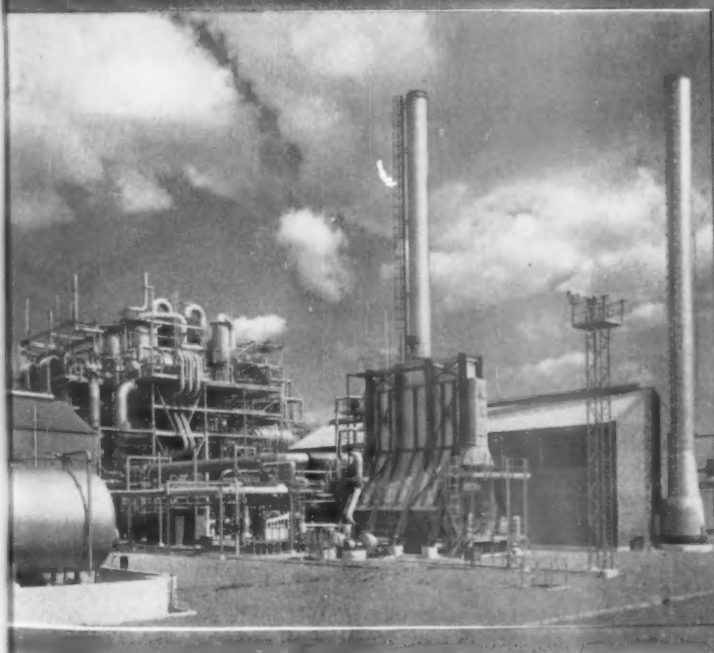
Sometimes it doesn't work out this way, though. Minneapolis-Moline's debentures are convertible into about 44 shares. They are redeemable at about \$1,010, plus accrued interest. But if the holder of debentures decided to convert, he would get only about \$21 a share or a total of some \$924. **END**

Kellogg Engineers and Builds World's Biggest Olefin Plants



FUTURE WORLD'S LARGEST is Socony Mobil Oil Company's ethylene plant at Beaumont, Texas. It is the first large plant in the U.S. to crack naphtha into olefins. Engineered by The M. W. Kellogg Company, as shown in this scale model, it is scheduled for completion by Kellogg by 1961. Capacity will be 380 million pounds annually of 99.9% purity ethylene.

This newest plant consists of steam pyrolysis, gas treating, and product recovery sections. It has been designed to handle simultaneously both liquid and gaseous feedstocks. In addition to ethylene, major products will include propylene, propane, a B-B product, gasoline, and fuel oil.



LARGEST OUTSIDE THE U.S. is the English Wilton Works of Imperial Chemical Industries, which now includes three olefin plants. Photograph shows Plant No. 3. All are the result of close engineering cooperation between Kellogg and I.C.I. Together, they represent a current output of 110,000 tons per year of high-purity ethylene, and a potential of 140,000 tons.

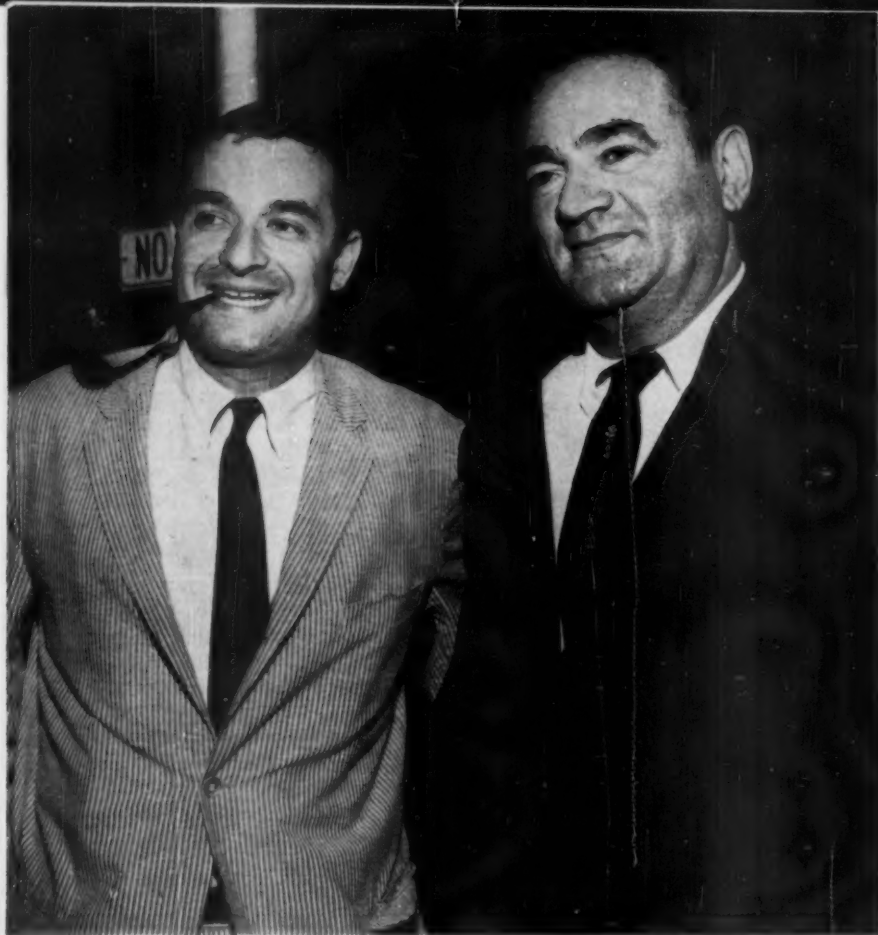
Plant No. 1, commissioned in 1951, was the first full-scale adoption of the then novel process of oil pyrolysis developed in Kellogg's laboratories. Its success led to the addition of Plant No. 2 in 1956, and then to No. 3—representing a 60% increase in olefin capacity—in 1959.

Whether your approach to ethylene is through the steam pyrolysis of hydrocarbons or the recovery of ethylene from gas mixtures, Kellogg has developed processes which can assure the optimum investment, operating costs, product purity, and yield. For more information about Kellogg's 2-billion-pound background in engineering and/or building ethylene plants, write for a copy of "Olefin Plants" Kelloggram.



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HARRY WEINBERG (right), with his lawyer, **Lawrence Weisman**. Boss of three transit lines, Weinberg wants to win New York's giant Fifth Avenue Coach. He's the . . .

Would-Be King of Transit

At 51, Harry Weinberg (picture) is relatively new to the risky but potentially profitable business of collecting city transit companies. In a decade or so, he has made a small fortune investing in what he considers undervalued transit stocks. Up to now, however, he has won control of only three systems—in his home base at Scranton, Pa., in Honolulu, and in Dallas. The last two have been under his wing only since last year. Total revenues of the three come to only about \$14-million a year.

But the blunt-spoken and impulsive Weinberg is anything but a passive collector. What he wants is undisputed claim to being the top private transit operator in the nation. His cap is set for what he regards as the prize of them all: New York's Fifth Avenue Coach Lines, Inc., which grosses \$65-million a year, but finds it hard to make any sizable profits.

Weinberg has been quietly buying Fifth Avenue Coach stock in the open market. He is understandably vague about how close he is to having a solid

foothold. To some persons, he says he is quite close; to others, that he still has a long way to go.

• **Controversy**—Either way, Weinberg is not the type to let up until he has achieved his goal, or found that he has set his sights too high. In the past two years, he has branched out from his small Scranton bus line—about \$1-million in revenues—to buy control of bus companies in Honolulu and Dallas. Each takeover has embroiled him in controversy, but Weinberg has taken on all comers and managed—so far anyway—to come out on top.

He thinks Fifth Avenue Coach is potentially the most profitable bus line in the country—it just barely made a profit last year—and he is confident he can win over any opposition to his methods. Control of New York's big volume business would certainly make him the country's top transit operator—comfortably out ahead of the better known and more vocal Roy Chalk who controls Washington's D. C. Transit. Says Weinberg: "It would make Roy Chalk feel awfully bad. He'd like nothing

better than to get his hooks into New York."

• **Something to Offer**—Weinberg agrees that he'll probably meet with opposition if he wins Fifth Avenue Coach. "No one loves the head of a bus line," he says, adding "especially not if he's an outsider." But he feels he has a concrete plan to offer New Yorkers—the same plan, with variations, that he has followed in Scranton, Honolulu, and Dallas. Each of these earns a slim profit, but Weinberg thinks New York should be able to earn \$3.5-million.

First, he would set out to get a fare structure designed to yield a fair return on the bus system's utility assets. In his earlier ventures, this meant a request for an increase. "Two pennies a ride more in New York could bring in \$8-million a year annually," Weinberg claims. In applying for a fare increase, Weinberg would show where the money was earmarked—in New York's case, for new equipment and the promise of better service. For example, he believes New Yorkers would pay premium prices (over the present 15¢ a ride) for air-conditioned buses on certain shoppers' lines.

This basic plan fits Weinberg's thinking on private transit companies. As he sees it, they are a business, not a civic institution, and they should be run as such. He thinks that failure of city officials to recognize this has caused the financial strain felt by so many lines.

• **Cutting Waste**—Going after Fifth Avenue Coach also fits Weinberg's pattern of operations. He likes to go into what he regards as poorly run companies (he thinks Fifth Avenue's big mistake was taking over Third Avenue bus lines a few years ago), overhaul them by lopping off waste, modernizing service. The line must also be in a position to ask for a rate increase.

When regulatory groups rebuff him, Weinberg feels he has but one course open: to cut costs. If that means a cut in service and schedules, the rider will suffer, not Weinberg or his stockholders.

Weinberg, who looks and talks the part of the self-made millionaire junkman of *Born Yesterday*, rejects the idea that he follows any sort of formula. In fact, he rebels at the suggestion that anything he does has long-range purpose. He says: "Don't ask me why I do anything. I just do it." (Some time ago, he bought a construction company—a business, he says, he knew nothing about. He sold it six months later, he says, for a \$250,000 profit.)

He insists that there is nothing special about a transit company's operations that attract him, nor that the recent sign of improvement in transit operations (BW-Oct. 3 '59, p99) has any influence on him. "This is what I know how to do, and I like doing it," he says.

This may have been true of Wein-

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Who is John Kenton? He is News Editor of the McGraw-Hill magazine, NUCLEONICS. After an earlier article in 1957, he discovered there still was a surprising lack of knowledge in industry of nuclear defense projects.

Last year John traveled 16,000 miles, made 122 interviews, joined nuclear subs *Seawolf* and *Skipjack* in dives. He called on Admiral Rickover's admirers and critics; on sub captains and

crews; on plant after plant after plant. Then he wrote a 13-page feature article in NUCLEONICS: "Building The Nuclear Navy."

Result? "Could practically serve as textbook," says Admiral Arleigh Burke, Chief of Naval Operations. "I use it in conversations with my men concerning the nuclear program."—Commanding Officer, U.S.S. *Sea Poacher*. "Used as reference by many of our people."—Electric Boat Company.

John Kenton is a typical McGraw-Hill editor: demanding, dogged, an engineering as well as a reporting background—an expert in his field. The authoritative writing of such men is one big reason why more than one million key businessmen pay to read McGraw-Hill magazines.

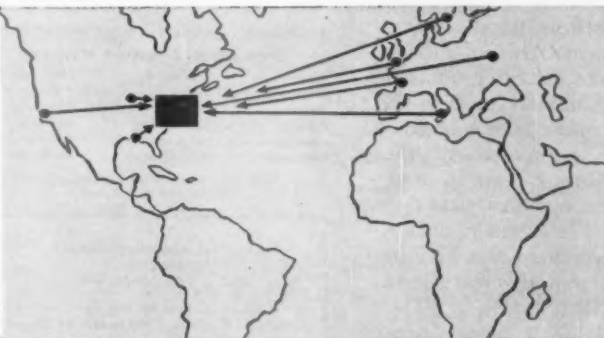
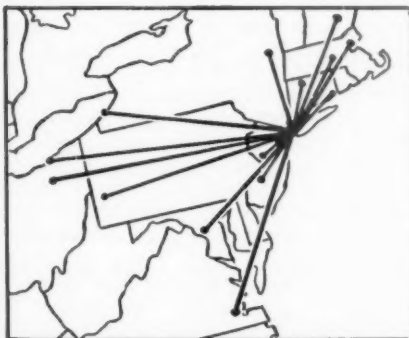
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Here's how information for "Building The Nuclear Navy" was gathered. As shown on the map at left, above, John Kenton made more than 30 trips from New York. He visited Washington 8 times to talk with Navy and AEC leaders, made 6 trips to the Atlantic Submarine Fleet base at Groton, Connecticut, cruised the Atlantic aboard the *Skipjack* and *Seawolf*—while at sea (far left) he handled the controls. He called on shipyards, reactor manufacturers,

electronic factories making reactor control gear, nuclear fuel fabricators, pump builders, makers of specialty steel items and many others. While he was doing this, McGraw-Hill correspondents, shown on the world map, were sending in other information.

This work won a double reward. Not only did this feature receive wide acclaim, but John won a 1960 Jesse H. Neal Award, given annually for outstanding editorial achievement in business publications.

For what it's worth...

How important is book value in stock valuation?

Adapted from one of the Clients' Service Bulletins of The American Appraisal Company

In estimating the value of closely held corporate stocks, the inexperienced often attach undue importance to the net equity as reflected on the balance sheet.

Some time ago, THE EXCHANGE, published by the New York Stock Exchange, reported an interesting analysis of the 1055 common stocks listed on the big board. At the time the study was made, 660 stocks were selling above book value and 395 below book value. The variations were wide: 202 stocks were selling at 100% or more above book value and 72 were selling for one-half of book value or less.

Earnings more important

The study clearly demonstrates the relative unimportance of book value as a factor affecting market value of the stock. Balance sheet figures reflect the investment and retained earnings less reserves and liabilities. They seldom purport to reflect current values or liquidation values of the long-term assets. Patents, franchises, trade names or other intangibles are often omitted or carried at nominal amounts. If management cannot earn a reasonable return on the investment, the stock will seldom be worth book value; but when earnings, past and prospective, are in excess of such a fair return, capital equities may be valued at substantially more than book values.

In any valuation of capital stock, the present value of the corporate assets is a factor to be considered, because significant comparisons can be made as to the return on the required investment. However, the study of earnings, growth and prospects for the future may far outweigh in importance the book values or restated values of the underlying

assets. In any case, book value is a questionable guide to the measurement of the intrinsic value of ownership in an enterprise. The value of such ownership is dependent to a greater degree on management, earnings, dividends, business potentials, the trend of growth or recession, accounting policies and profit margins than on the stated values recorded on the balance sheet.

★ ★ ★

The American Appraisal Company has for many years been engaged in the valuation of closely held corporate equities for merger, sale, reorganization, and estate and gift tax purposes. Its services in this field have been used beneficially by owners, executors, administrators and trust companies. Where required, its findings have been persuasively supported in court by qualified witnesses. American Appraisal Service is also widely used in the valuation of intangibles and in the valuation of an enterprise.

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berg's initial ventures, but over the years he has shown himself to be a master of transit's peculiar intricacies.

• **Early Career**—Weinberg, who was born in Austria and whose family settled in Baltimore when he was four years old, had little time for a formal education. He took a job in a tire recap plant, soon became manager, and then branched out on his own. He has never worked for anyone since, prefers the role of the lone wolf operating from a bare one-room office behind his Scranton garage.

He earned his first big financial rewards during the depression by buying up real estate. Some of it he held for income, some he sold for speculative profit. But he soon had enough to start investing in securities, specializing in undervalued situations. Weinberg, in fact, still makes most of his money through security trading; operating his bus lines is almost a sideline when it comes to personal profits.

A case in point was his investment in 1948 in defaulted bonds of Baltimore Transit Co. Associates say that when he finally sold, he had made a big killing, and had learned the ropes of the transit business. His next major investment was in Baltimore Brick Co. where he more than doubled his money.

Not too long after, Weinberg obtained control of his first transit company. He purchased Scranton Transit bonds in 1953. The company went into receivership in 1956, and the court appointed Weinberg, the majority bondholder, as receiver. When the company came out of receivership in 1958, Weinberg was named president.

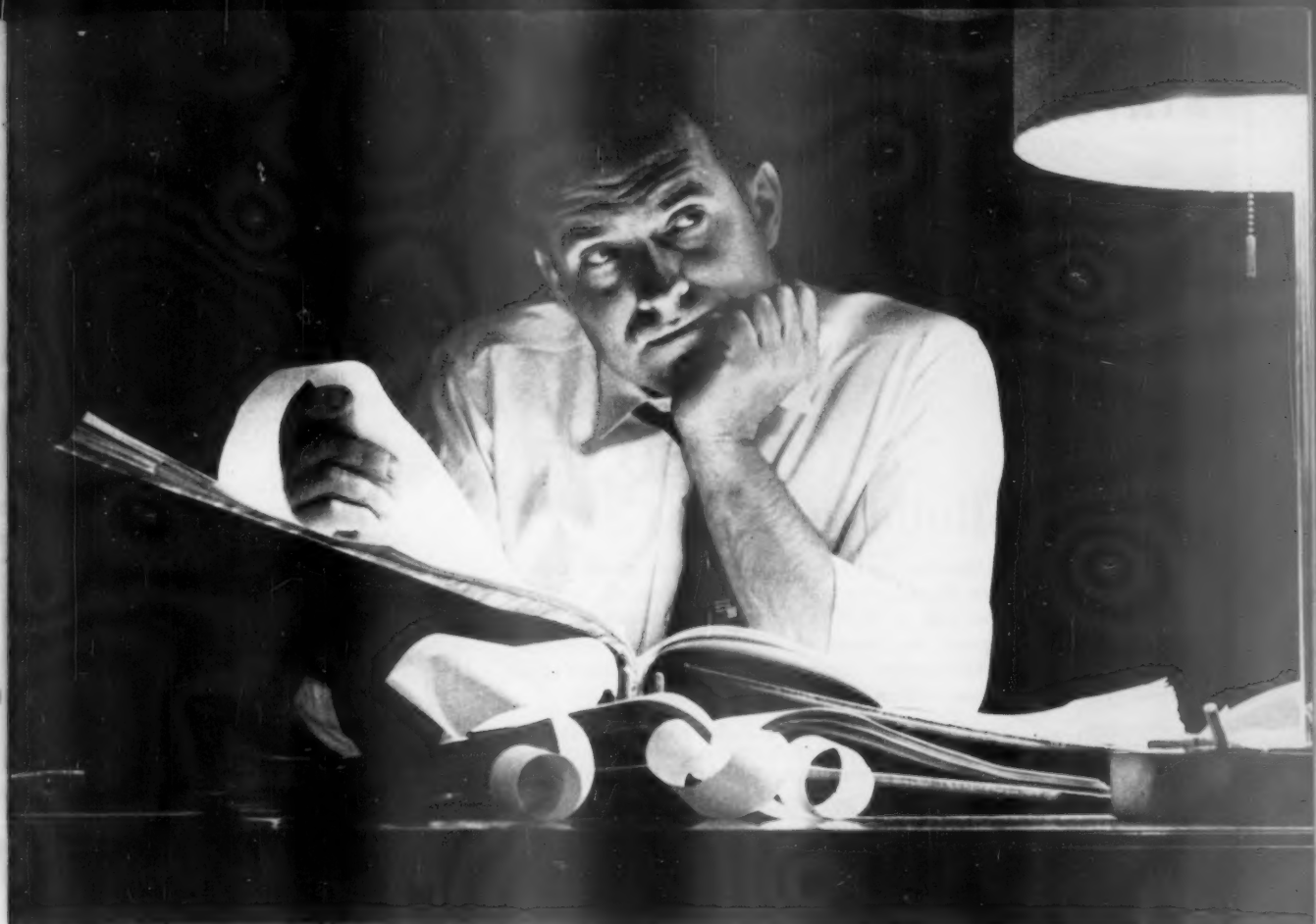
He now owns practically all of the stock, as well as a majority of the bonds. His first days at Scranton were filled with scraps with city officials, but Weinberg has put the line into the black and seems to have won over most of the community.

Besides almost complete control of Scranton, Weinberg—either personally or through investment companies—has, he claims, 52% of Dallas Transit's stock, over 50% of Honolulu Rapid Transit's stock, and investments in several other transit systems. One holding is a block of roughly 20,000 shares of United Transit Co., which owns eight transit lines.

• **Preview**—A glimpse of what Weinberg has to offer New Yorkers can be seen in his maneuvers in Honolulu and Dallas. In each place, Weinberg has provoked city and public utility officials, but stockholders in his transit companies have benefited.

Weinberg started investing in Hawaiian securities around 1955, before he had visited the island. "I can't tell you why," he says. "The grass just looked greener over there."

He invested in a dozen Hawaiian



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companies, then focused on winning control of Honolulu Rapid Transit Co., a 65-year-old utility, which, since 1954, had managed to arrest a downswing in passenger business.

Weinberg was a new experience for Hawaiian businessmen, and HRT's directors fought desperately against his control; they looked on him as a corporate raider out to milk the company.

• **War of Maneuver**—HRT began to buy up its own stock, sent its wholly owned subsidiary, Honolulu, Ltd., to the banks to borrow money for more buying. It also reduced the size of its board to fend off a Weinberg demand for seats, and it threatened to spin off the stock of Honolulu, Ltd., which had rich real estate assets that were regarded as one of Weinberg's chief targets.

According to the plan, the spin-off would force Weinberg to take Honolulu, Ltd. stock at regular income tax rates and would be a weapon to bring him to terms. But Weinberg pointed out that a good deal of the stock he controlled was in the names of investment companies he headed—800 Corp., Baltimore Realty Corp., Pali Corp., Merfel Realty Corp., Scranton-Morton Corp. Stock spun off to these corporations would be taxed only at the lower rate applied to intercorporate transfers; thus, other stockholders would be hit harder than Weinberg.

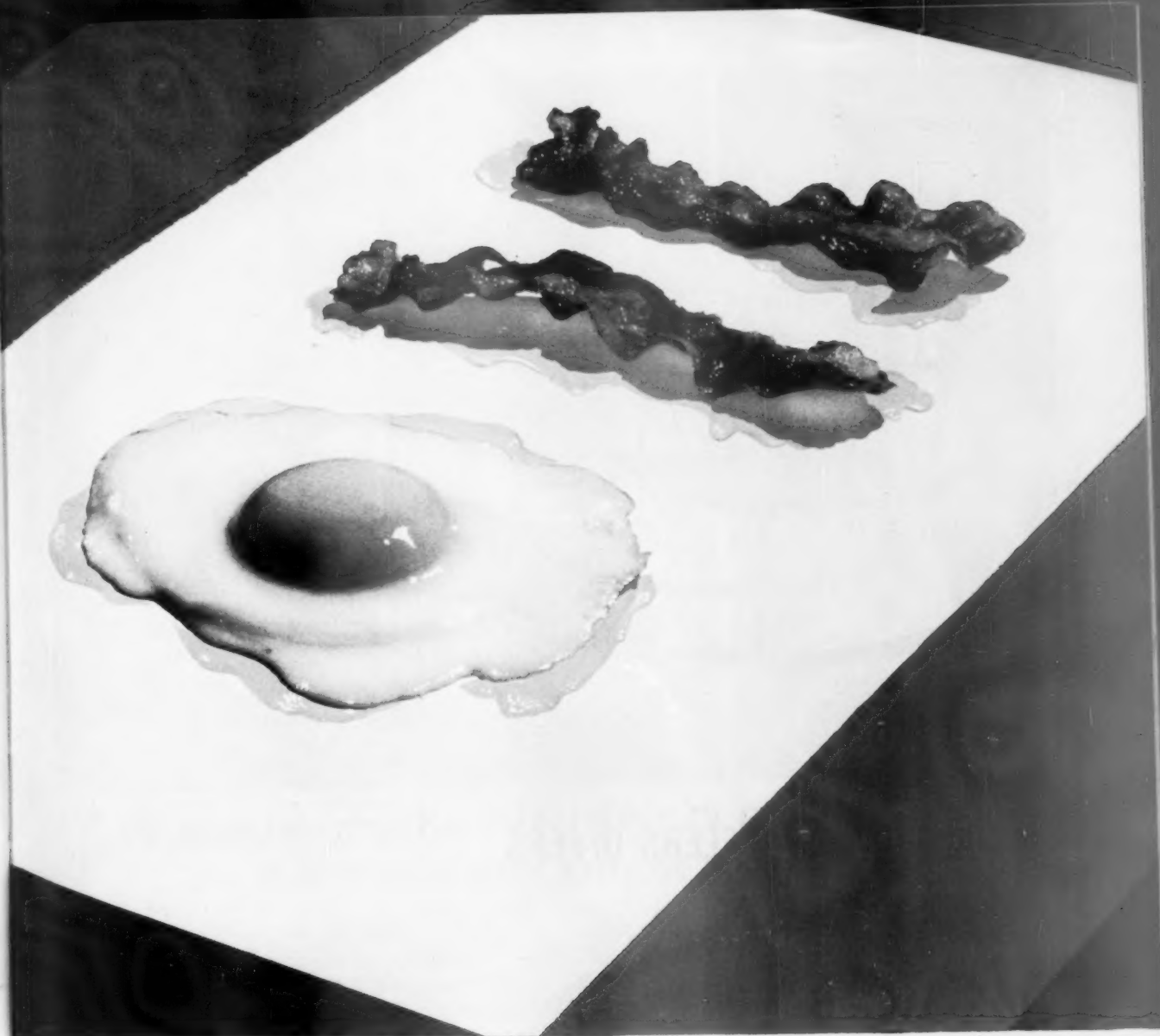
Weinberg and HRT agreed then on a compromise. In effect, HRT's board and management would stay more or less intact as long as they turned in a good job, but Weinberg was kingpin.

• **Fare Increase**—The fight in Hawaii resumed when the Hawaii Public Utilities Commission turned down a Weinberg request for a fare increase, arguing that HRT had a sizable earned surplus that could be used to offset any losses. Weinberg countered that these "were savings that belonged to stockholders, not to the PUC." He immediately set out to prove his point.

He cancelled HRT's depreciation reserve fund and transferred the money in it to Honolulu, Ltd., along with HRT's earned surplus. Weinberg, moreover, transferred HRT's bus advertising and charter bus business to Honolulu, Ltd. Then Weinberg used \$540,000 of Honolulu, Ltd.'s funds to buy stock in Dallas Transit Co.; another \$100,000 was invested in American Factors, one of Hawaii's Big Five.

As his final shot, Weinberg applied to the Securities & Exchange Commission for permission to make Honolulu, Ltd. the parent company and HRT its subsidiary. In this way, PUC would have no control over Honolulu, Ltd., and would be unable to ask it to funnel funds to its utility subsidiary.

• **Up to Courts**—PUC's counter moves have taken the form of orders, which



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Weinberg ignores, to restore the transferred funds to HRT. It also lodged an opposition to the stock switch that would make Honolulu, Ltd. the parent company, and deferred action on a new rate increase application. Hearings on the whole matter have been postponed a number of times, and are now set for mid-August. It's conceded by all that the courts will have the final say.

Weinberg had entered Dallas Transit before the Honolulu, Ltd. purchase. He personally bought some stock in mid-1959, and he says now that he controls about 52% of the 291,536 shares outstanding.

Weinberg liked Dallas Transit partly because it, too, had some interesting non-utility assets, partly because it had lots of new equipment but was having trouble running up profits. Last year, the company earned \$227,000 on \$8.7-million in revenues.

• **Labor Fight**—Weinberg's actions since then have been typical. For one thing, he cut the company's board down from 15 to 11 men—four Dallas people and seven outsiders. Then he stepped personally into a deadlocked management-union negotiation. He asked a federal mediator to allow him to sit in on the bargaining when things looked hopeless. In short order, Weinberg came up with an offer of a 33¢-an-hour increase to be spread over a three-year period. The union was amazed; it had originally asked for 35¢. But there was a catch: Weinberg made his offer contingent upon the city granting him a 2¢ fare increase.

City officials were on the spot. If the city didn't increase fares, it was responsible for the union not getting a pay increase. The City Council promptly issued a strong statement criticizing Weinberg for putting the city in the position of arbitrating a wage dispute. When the city refused his fare increase, Weinberg withdrew his offer.

• **Another Delay**—Last June 15, the union called a strike. Again Weinberg entered the negotiations. He cornered union officials and in a half-hour the strike was postponed. Weinberg had offered a temporary 15¢ wage hike to cover the next four months. The catch: This waiting period will expire right at the time of the big state fair. Weinberg hopes by then that Dallas will come through with a fare hike to avoid a tieup during the fair.

Weinberg also has taken a leaf from his Honolulu operations. He has transferred some \$1.7-million in non-utility assets out of Dallas Transit and put them in a long-standing subsidiary, Dal-Tran Service Co. Onlookers are watching to see how he pyramids these funds. Says someone close to his operations: "It would be only natural to use them to buy Fifth Avenue Coach stock." **END**



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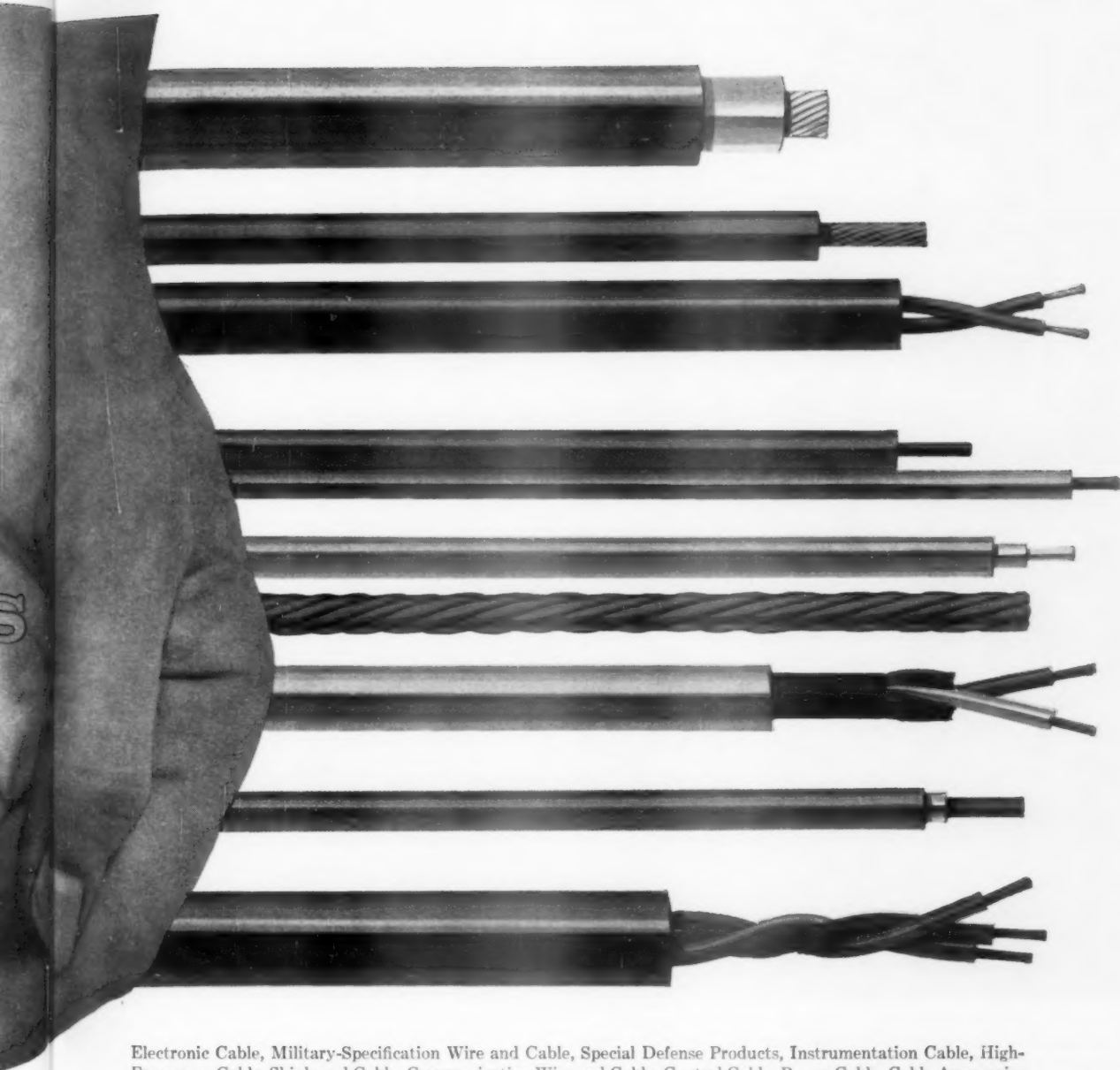
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Freeing the Big Boss' Hands

Standard Oil Co. (Indiana) last week announced the final blueprint for a corporate reorganization designed to free top headquarters executives of direct operating responsibilities and turn the parent organization into a pure holding company on the model of the international oil companies.

The reorganization, to take effect Jan. 1, is the culmination of a streamlining effort begun more than five years ago and pushed vigorously by Chmn. Frank O. Prior (picture) in his two years as chief executive. When Prior retires next month he will turn over to his successor, Pres. John E. Swearingen, a corporation that has been redesigned to permit decentralized operation with centralized policymaking, coordination, and control.

• **Unified**—For the first time, all of Standard of Indiana's domestic manufacturing, marketing, and transportation activities will be pulled together into a single nationwide operating company, American Oil Co.

Amoco, which formerly operated only in 28 Eastern, Southern, Southwestern, and Western states, will absorb another wholly owned Indiana subsidiary, Utah Oil Refining Co., and also will take over the operating assets of the parent company in the 15 Midwestern states where Indiana itself has refined, transported, and sold oil.

Indiana subsidiaries other than Amoco will continue to handle crude oil exploration, production, and purchasing in the U.S. and abroad; pipeline trans-

portation of domestic crude oil; manufacturing and sale of petrochemicals and liquefied petroleum gas; and foreign refining and marketing.

Standard of Indiana itself will become "solely a parent company." Its directors, officers, and staffs, without day-to-day operating problems, will then be able to concentrate on "over-all policy guidance, coordination of operations, evaluation of performance, and planning for future growth."

• **Redesigned Symbol**—One major result will be national marketing under the American Oil name and related brand names and trademarks. The corporate symbol will be a redesigned form of the Standard oval and torch, first used in 1945 (BW—Jun.25'60,p78). New service stations will be "of a design uniformly recognizable," says Indiana.

That doesn't mean, however, that Indiana will give up the Standard name, now used on 60% of its products. In the 15 Midwestern states where Indiana has exclusive rights to the Standard Oil label, the company will market through a Standard Oil division of American Oil Co. That's to keep other offshoots of the old Standard Oil organization, dissolved in 1911, from taking over the Standard name in Indiana's territory, where it accounts for about 17% of the Midwest market.

Says Prior, "As long as the 15 states are wedded to the name Standard, we will keep its advantage. But with time, the name American may become synonymous with Standard, and per-

haps some day the name Standard will come out of the torch and oval."

For the long pull, Standard of Indiana looks to more than marketing advantages from its new corporate structure. It also expects better coordination of all its affiliates, unified management of identical functions throughout the U.S., and greater flexibility.

I. Patchwork Structure

The drive to unify Indiana's patchwork corporate structure goes back a long way. It really got going in 1954, when American Oil became a wholly owned subsidiary.

In 1956 the parent company acquired full ownership of Utah Oil, a refiner operating in five Northwestern states. The next year, nine principal affiliates were consolidated into four operating companies. In 1958, overseas exploration and production were restructured under Pan American International Oil Corp., an affiliate of Pan American Petroleum Corp., Indiana's oil and gas exploration and production subsidiary.

Early this year, the research operations of Standard, American, and Utah were consolidated into a single organization headquartered in Chicago. Headquarters of the new Amoco will also be in Chicago, in the same building as Indiana's own. That will bring all the management groups closer together and should cut the size of operating staffs.

• **Freeing the Brass**—Despite this physical nearness, Indiana's management will

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not operate Amoco. A major goal of the reorganization was to free the president's time for policy work (with Prior's retirement the post of chairman will be dropped and the president will be chief executive). Swearingen will concentrate on controls and on planning.

Says Prior, "Within a year, the president's job will be lighter and more concentrated. He will be an analyst and planner to a larger degree than ever before."

II. Prior's Goals

Decentralization and delegation of responsibilities under centralized control has been Prior's goal since he took over management of Pan American Petroleum (then Stanolind Oil & Gas Co.) in 1931. After he became Standard's vice-president for production in 1945 he set to work decentralizing the producing end of the company.

His kind of decentralized management was the first the company had ever seen. "One of the obstructions I was forever banging into," says Prior, "was the set operating rules hampering potentially good managers. A new acquisition was sometime forced to swallow set operating laws of the parent down to the last dotted i, whether the rules applied or not. Wherever we found this existing, we changed it—in a hurry."

• **Complications**—The problem of decentralizing the company on a national basis was complicated, however, by minority stock interests. When Amoco finally became a wholly owned subsidiary (with its co-founder, Jacob Blaustein made a Standard director), Prior had his first chance to decentralize marketing. The 23 sales divisions were reduced to eight regions. Local managers were allowed to handle their own affairs "to the lowest qualified levels," but under broad operating policies enforced by tight centralized controls based on direct accountability. Both districts and divisions were put on a profit center basis, each responsible for running a profitable business.

The shift from regions to districts meant more direct contact between managers and customers, since the district manager also was a salesman. At the same time, division of sales by product was dropped. One salesman could sell the whole line—fuel, gasoline, and chemicals—to a single customer, whereas previously several salesmen might call on a single account.

• **Marketing Strategy**—There will be further marketing streamlining under the single distribution arm of Amoco. Until now, American has tended to sell to independent jobbers while Standard has leaned toward company-owned service stations. Probably the new look for Amoco will be the company station,

on the grounds that a broader line of products can be distributed to a single outlet.

III. School for Talent

To make decentralization work, Indiana Standard has had to find good men and develop them. Although the company "humanized" itself in the 1920s under Col. Robert W. Stewart by revealing its operations to the public, not until Prior's ascent did it have a companywide development program.

Now, once a year, top management discusses everyone in middle management or above, figuring who is doing a good job and who needs more schooling or moving around. Under the new structure, development will become even more a function of top management.

• **Nonconformist**—Prior, who has the reputation of being the company's greatest nonconformist, has scoured the organization for men with "ideas and men with guts to fight for them." Those he found he kept shifting into various operations. Five, who followed Prior up the line, are now in top management.

One of them, Swearingen, will soon become Standard's chief executive. Now 42, Swearingen is Prior's hand-picked successor. Under Prior he moved out of his starting point in research into the manufacturing department of Pan American Petroleum. He became Indiana's production vice-president in 1954 and executive vice-president in 1956.

Prior encouraged, even forced, his people to fight for their ideas. He explains his way of handling executives this way, "Some men you smile at, some you counsel, some you swear at. You work with them under policies and principles as individuals or they silently rebel."

Prior also has fought conformity in the organization by encouraging the flow of suggestions up the line from affiliates and of ideas down through management. Says one laboratory manager, "I can feel the difference. When I want to start on a new project, I can make a proposal and get an answer in short order, right from the top. If the decision goes against me, I can fight for the idea and convince, or be convinced."

The resulting spirit in the organization is described this way by a line executive, "We are moving at a faster pace, and I feel a sense of urgency to get things done."

No further major reorganizations loom in the immediate future. Reorganization, says Prior, is an essential part of an aggressive company; "I've been reorganizing and reorganizing for 41 years now." But now he is handing Swearingen a corporate structure geared to what Standard hopes will be a continuing growth pattern. **END**

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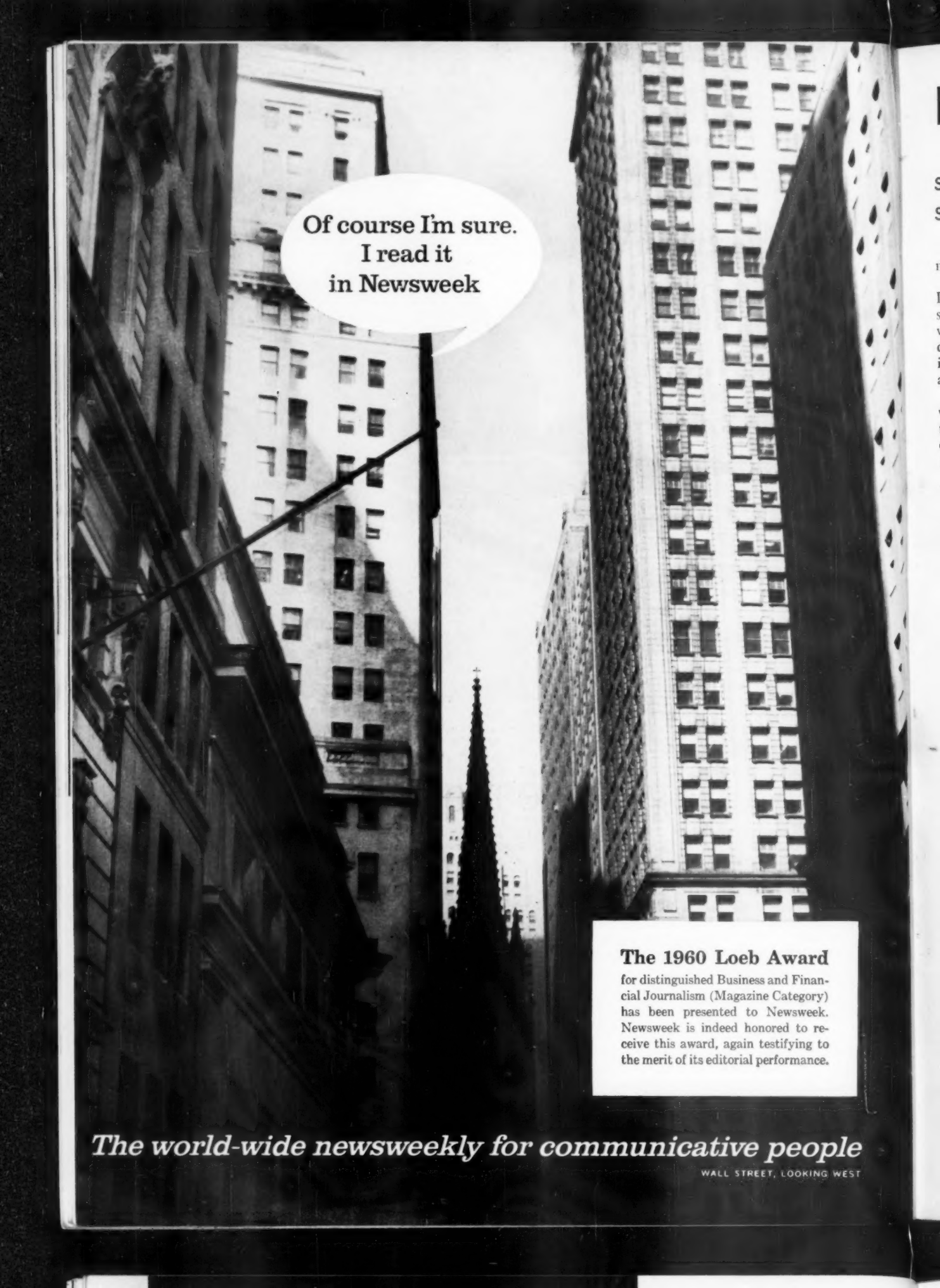
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WALL STREET, LOOKING WEST

In Management

• • •

Small but Bitter Executive Minority Still Scowls on Psychological Job Tests

Psychological testing, despite criticism and ridicule, meets with objections from only a few executives.

This is the principal conclusion reached by Prof. Lewis B. Ward of the Harvard Business School after surveying 1,861 subscribers to the Harvard Business Review. The executives surveyed were no strangers to psychological tests—more than four-fifths had taken them in school, in the company, or on their own—and their reactions were favorable, on the whole.

More than half the executives said their companies were using psychological tests in personnel selection, most often for salaried jobs. Fewer than 10% actively disapproved of the practice—but these had strong feelings on the subject.

One objection to psychological tests was that they breed conformity. Only 15% of the individuals surveyed pooh-poohed the idea that conformity was a business problem (nearly two-thirds of the 15% were in top management). Nearly half of the whole group felt that there was too much conformity in business and that tests did or could contribute to it.

The survey did uncover some evidence that psychological testing hasn't paid off for everyone. About a fourth of the companies that don't use tests have tried them in the past for picking salaried employees. This is particularly true of large companies. On the other hand, large companies are also more likely to be still using tests (60% of companies with more than 10,000 employees compared to only about a third of companies with fewer than 100 workers).

Feelings about psychological testing did not differ greatly between levels of management or between executives with and without personal experience with tests. However, although fewer than a fourth of the top executives had actually taken tests themselves (compared to more than 90% of the lower middle management group), top executives more often found the experience "interesting" and "helpful."

• • •

General Electric Co. Takes Top Honors In High School Corporate Image Poll

General Electric Co. is apparently the company that has been most successful in impressing American teenagers. Such, at least, is the implication of a survey conducted by Scholastic Magazine among 5,000 senior high school subscribers.

Student replies to five out of seven questions reflecting corporate images put GE first. GE is the large national company they would most like to work for. It also is the company they consider leading in engineering, in scientific research, in atomic energy, and in missiles and rockets. GE even tied with Monsanto Chemical Co.

for third place as "the company I'd name as the leader in chemical research and development."

The only category in which GE failed to place was leadership in the rubber industry. That label went to Goodyear by a hefty margin over second-ranked U.S. Rubber.

Du Pont also did well in the survey. It was regarded as the chemical R&D leader by 45% of the teenagers; second place Dow got only 8% of the votes. Du Pont placed second in scientific research generally and third as a company to work for, just behind General Motors.

• • •

Utilities Rank Highest in Generosity When Severance Pay Is Handed Out

Employees laid off after long service get bigger severance payments from electric and gas utilities than from financial institutions or from companies in retail or wholesale trade, a new National Industrial Conference Board study of 269 nonmanufacturers shows. The 78 utilities included in the study also turned out to be more generous, on the average, than the 259 manufacturers that were previously surveyed by NICB (BW—Oct. 17 '59, p158).

Most plans in all these industry groups call for one or two weeks' severance pay for the employee who is terminated after only one year of service. After five years' service, 70% of the financial institutions still give two weeks' pay or less, while nearly two-thirds of the utilities grant more than a month's pay. The 25-year man gets a week's pay or more for each year of service from nearly 60% of the utilities; two-thirds of the financial institutions would give him a month's pay or less. Trade companies and manufacturers fall between these two extremes.

Severance pay plans in finance and trade, NICB points out, seem to be designed chiefly to deal with employees who failed at the job, usually after relatively short service. In fact, nearly all of the financial institutions and many trade companies give severance pay to an employee who is fired; few manufacturers and utilities do.

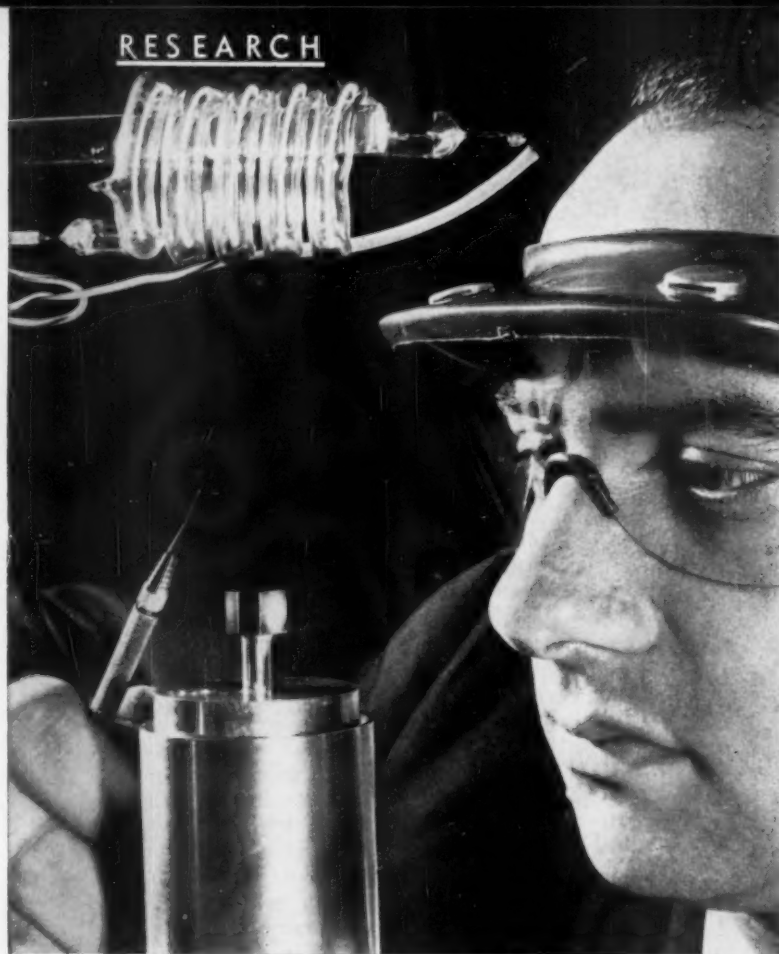
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One Week in School, Three on the Job Tried for Middle Management Courses

Northeastern University thinks it has found the answer to the reluctance of companies to let middle-level managers take long periods off—with pay—to attend executive development programs. It was this attitude that forced Harvard Business School to cut its middle management program from eight months to 17 weeks (BW—Mar. 26 '60, p173).

Northeastern's new seven-week executive development program, which will open Sept. 11 with some 40 registrants from New England and surrounding states, will have a staggered schedule.

Participants will spend three weeks back on the job between week-long campus sessions. The idea is both to soften the impact of their absence on their companies and to let them apply their lessons between times.



THE LASER as developed by Hughes Aircraft scientists, uses a ruby to intensify light.

Synthetic Ruby Does New Tricks With Light

A cube of synthetic ruby with peculiar optical properties has enabled Hughes Aircraft Co. to do some things with light that have never been possible before:

- Produce a beam of light narrower and more sharply focused than ever before. The beam can be a few millionths of an inch across and spreads out so little that it would only be 200 ft. across at a distance of 1,000 miles.

- Absorb light of many different frequencies, different colors in effect, and reradiate all the light at a single color within one very narrow range of frequencies. This is called making the light "coherent."

- Produce an intensity of light not possible before.

Hughes refers to its device as a "light amplifier" and calls it a laser, standing for Light Amplification by Stimulated Emission of Radiation. But it is not an

amplifier in the ordinary electronic sense; in many ways it is closer in performance to an optical lens.

The laser is still in the laboratory stage, but it promises large possibilities in practical use. Its tightly focused beam of light could be used for communication which could not be intercepted, particularly for use in space. The microscopic width of the beam and the intensity of the light should make it possible to pick off and kill individual bacteria or modify individual molecules. This could be a development of major importance to both the drug and chemical industries. And used in a camera as a sort of lens, it might make possible pictures of unparalleled sharpness taken from satellites, an improvement over the pictures now taken.

- **Form of Energy**—Light is electrical in nature, a form of electromagnetic energy. This energy oscillates, in the

manner of alternating current; the number of its oscillations, or cycles, per second is called its frequency.

The specially grown crystal of synthetic ruby has the peculiar ability to absorb light energy over a broad frequency range and reradiate it in a relatively narrow range. And the rays reradiated from a ruby invariably travel in almost parallel paths, unlike ordinary light sources. This, plus the frequency "coherence" causes the laser to generate a very high effective temperature, a very intense light. To duplicate the brightness of the laser's signal would theoretically require the impossible feat of heating an ordinary light source, such as a Kleig light, to several billion degrees. This is a higher temperature than scientists figure exists at the very center of the sun.

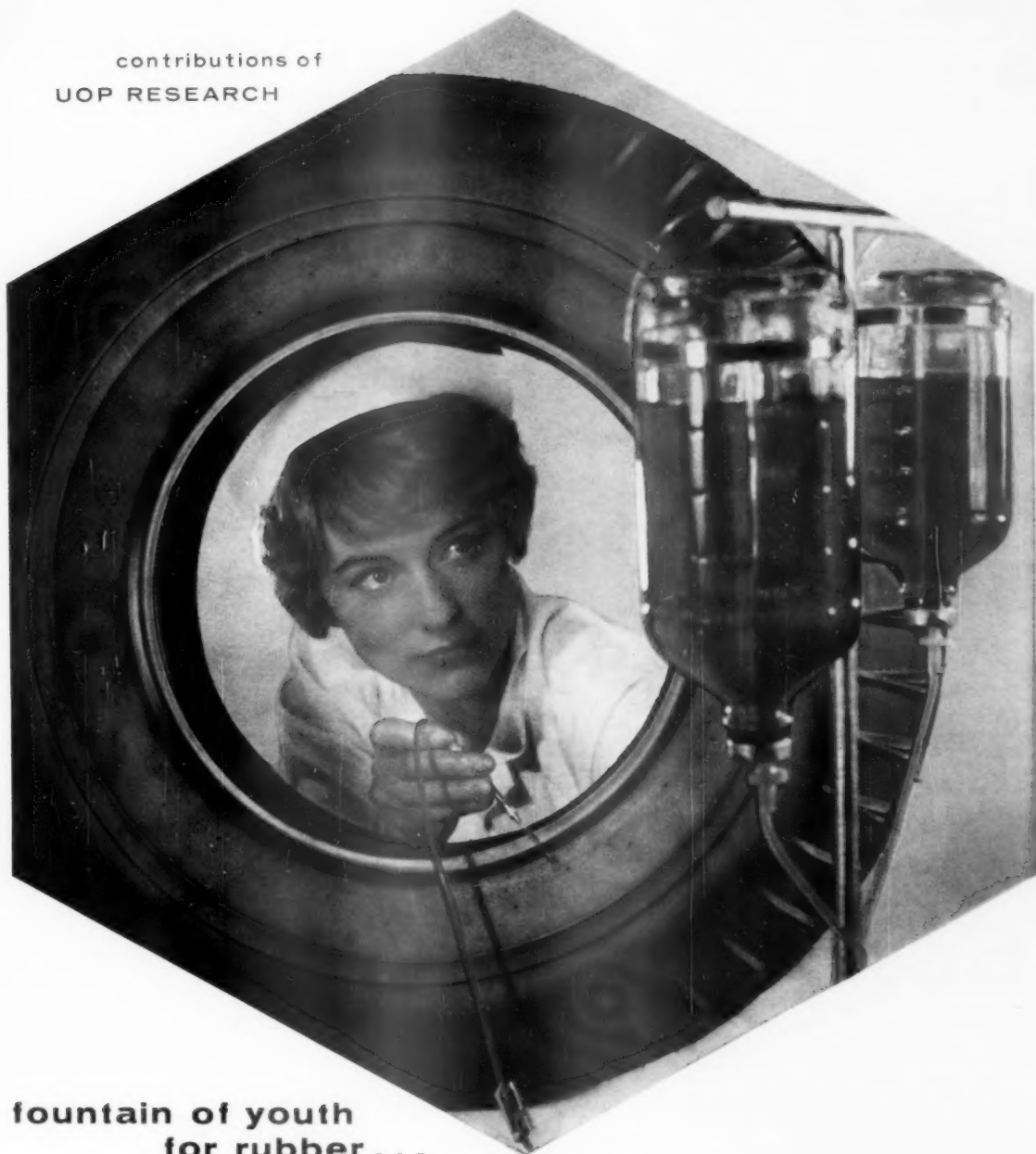
For years, scientists have been trying to bypass the need for such high temperatures by generating coherent light by electronic means, the way radio waves are generated but with frequencies up in the infrared and optical spectrums. But they have been stymied by the technical limitations of such conventional electronic devices as special vacuum tubes. By the end of World War II, the highest frequency that had been achieved was about 10-thousand million cycles per second, in the microwave area. When this was subsequently stepped up a factor of five to 50-thousand million cycles, it looked like the end of the trail of feasibility—far short of the half million billion cycles of visible light.

The first hint of a fresh approach came in 1955, when C. H. Townes, a Columbia University professor, invented the maser. The basic principle, as described by Townes and further elucidated by A. L. Schawlow of Bell Telephone Laboratories was to utilize the interaction of atoms or molecules with electromagnetic radiation. An efficient maser can use this interaction to generate electromagnetic waves.

- **New Quest**—With the advent of the maser, it became evident that, in theory, the same principle should be able to be used to achieve much higher frequencies, perhaps even in the optical range. Research teams took up the quest at Hughes Aircraft, Bell Laboratories, and elsewhere, using company money. With a wad of government money, the Advanced Research Projects Agency also contracted with Long Island's TRW, Inc., to tackle further development of the idea.

In the course of this work, Hughes people began investigating synthetic ruby crystals, hoping their electrical properties could be used in a maser-like device. The result was the laser, or the optical maser, which was demonstrated publicly for the first time last week. **END**

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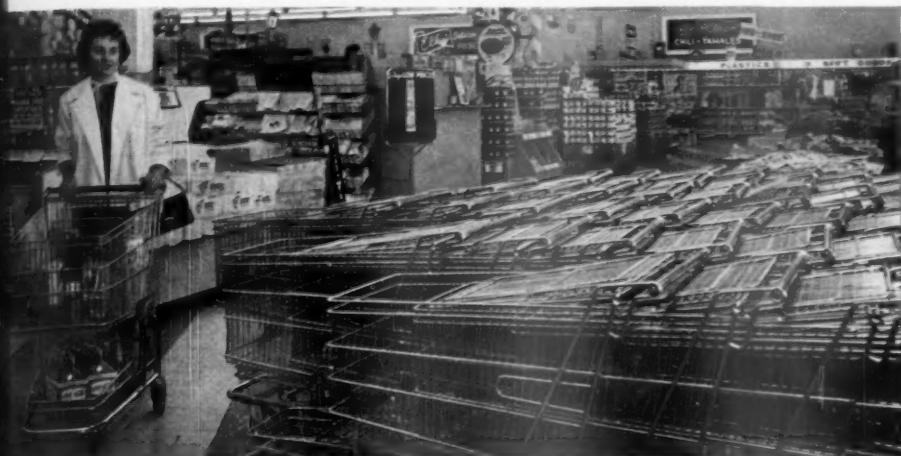
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WHY OIL WELLS CAN'T "FLIP THEIR LIDS"

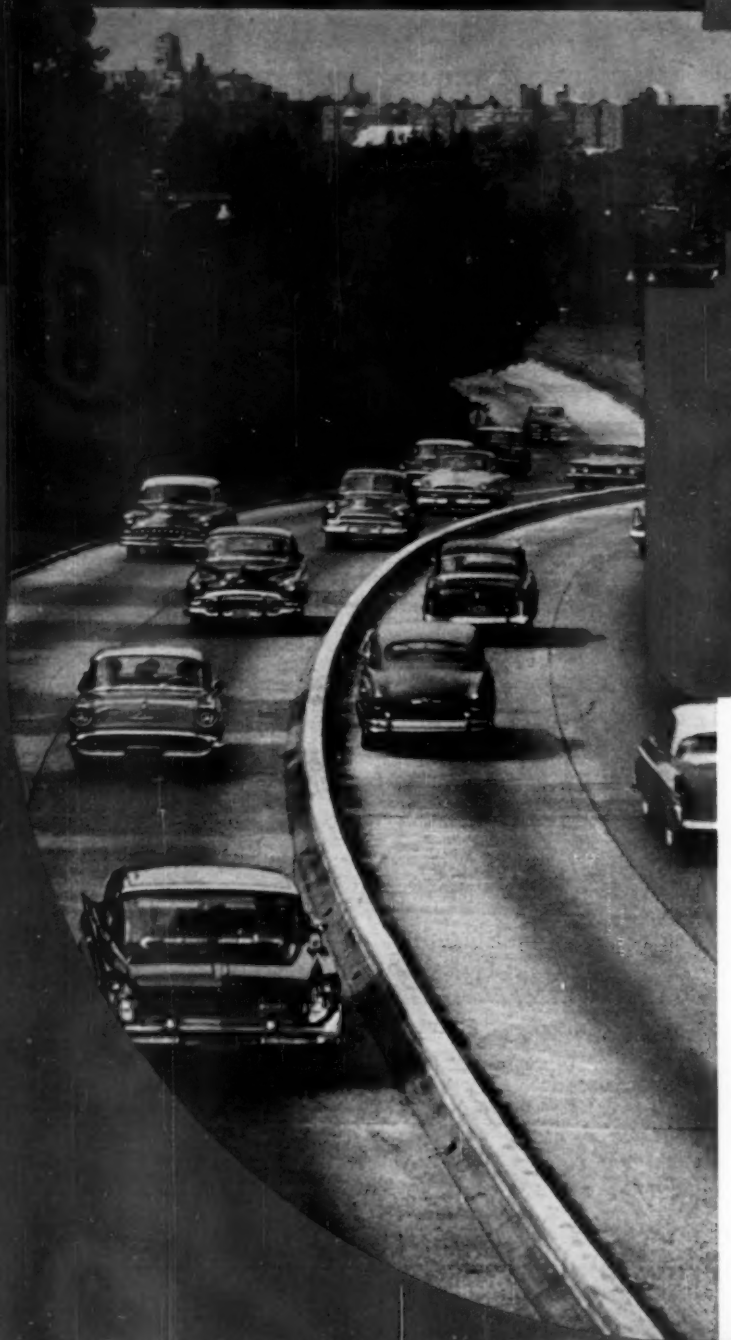
Oilmen call them "Christmas trees." They're a much-be-valved "lid" to keep high-pressure oil and gas wells under control. Armco's subsidiary, **The National Supply Company**, makes them—and almost everything else that's used in drilling for oil and bringing it to the surface. National Supply is the world's largest manufacturer and distributor of oil field equipment. "Wherever oilmen go, National Supply goes with them."

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

JULY 16, 1960



The Soviet offensive against the U. S. is gathering momentum. Before long, relations between Washington and Moscow may be more embittered than in the worst days of Stalin's cold war.

This is no temporary zig in Soviet policy. Premier Khrushchev has launched a daring and well-coordinated plan to undermine our worldwide alliance system and to discredit the U. S. generally. You can see now how much wishful thinking there was in post-summit hopes that Khrushchev had torpedoed the Paris conference only because he was momentarily upset by the U-2 business.

By fall, say some Western observers, the U. S. may face the threat of brushfire war in several spots—South Korea, Vietnam, and Iran. In the first two countries, Red Chinese infiltration has been stepped up, while Russian agents are getting in position to topple the Shah of Iran.

Certainly, the crisis in Cuba (page 34) is bound to get worse, thanks to increasing Soviet intervention there. In Italy, the Communists are stirring up civil strife as they try to force a neutralist government on that country. Then, there is the constant Soviet threat hanging over Berlin.

Even Yugoslavia is coming under Soviet pressure once more. Moscow's propaganda line against Tito is as harsh as it was in Stalin's day.

During the past week, Khrushchev really has been piling it on.

First, he promised to back the Castro regime in Cuba to the hilt, regardless of what the U. S. said or did. The Monroe Doctrine is dead, according to Khrushchev.

Then the Soviet Premier announced the downing of an American RB-47 research plane that had flown from a British base. His version of this affair was intended to remind the world of the U-2, and to undermine the widespread system of U. S. bases abroad.

Khrushchev plans to use the United Nations to apply still further pressure on the U. S. At midweek, Moscow called for an emergency session of the Security Council to deal with the RB-47 incident. If such a session is held, Soviet delegates will raise the whole issue of our foreign bases, including Guantanamo Bay in Cuba.

In any case they will make a big to-do about the base issue when the General Assembly meets this fall. And, at this session, the Russians will push hard for Communist China's admission to the U. N.

Note this, too: The Soviet press is harping once more about the imminent collapse of Western capitalism. It isn't just the colonial system that is breaking up, say Soviet propagandists. It's the whole Western way of life—and now is the time for Communism to move in for the kill.

The Congo began falling apart this week. Anarchy spread through the Congolese Army, cost the new republic its grip on wealthy Katanga Province, and put to flight thousands of Belgian civil servants who had offered to stay on to train natives in government jobs.

Desperately seeking to restore order, Chief of State Kasavubu and 107

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JULY 16, 1960

Premier Lumumba—a fiery anti-colonialist—sent pleas for troops to the U. S., Belgium, and the United Nations. At midweek, Pres. Eisenhower ruled out the use of American soldiers, but Belgium was considering reinforcing troops already in action, and U.N. Secy. Gen. Hammarskjöld was asking the Security Council for authority to send a military force of some sort.

For the Communists, the situation was made to order. Soviet Premier Khrushchev leaped right in, charging Belgium, the U. S., and other NATO powers with seeking to restore the new Congo state to "a colonial status under the guise of suppressing riots there." He said Congo soldiers were "quite right" in mutinying against their officers.

While violence against Europeans was spreading, **Premier Tshombe of Katanga Province added to the chaos by announcing that this mineral-rich area would secede from the Congo.** Since Katanga supplies about 60% of the Congo's income, its secession would leave the African republic on the brink of economic ruin. Secession also would embarrass Belgium—with which Tshombe wants to retain economic ties—since the Brussels government still is committed to a united Congo.

—•—
India's first general strike of government employees has caused five deaths and 2,000 arrests, and has partially disrupted Indian communications and transportation. The Praja Socialist Party, backed by Communists, called the strike when the Nehru government refused to meet wage demands.

At midweek, however, Prime Minister Nehru appeared to have broken the back of the strike. The National Guard and civilian volunteers are keeping essential services going. Moreover, not more than 25% of the Indian government's 2-million employees have walked out, although there is much malingering on the job

If Nehru succeeds, he will have demonstrated his government's ability to handle a severe crisis. Such an outcome would also repudiate Socialist and Communist leadership. But labor-management relations within the government will remain unsatisfactory.

—•—
Prime Minister Macmillan has his hands full these days.

This week, Macmillan had to beat down Labor protests over the RB-47 incident without giving any real ground on the use of British bases by American military planes. Next, he must make some important changes in his Cabinet.

Macmillan's main problem is to pick a successor for Chancellor of the Exchequer Amory, who retires at the end of the month. If Selwyn Lloyd gets the post, a new Foreign Minister will be needed.

In reshuffling his cabinet, Macmillan won't ignore the problem of Britain's relations with the six-nation European Economic Community (BW—Jul. 9'60, p109). If there is to be any basic change in British policy toward the "Six," this would be the right time to bring some new faces into the European picture.



Flick-Reedy Corporation, Bensenville, Illinois. Architect: Zay Smith Associates; Designer, Norman Steenhoff



Cartwright Elementary School No. 3, Phoenix, Arizona



Queensway Volkswagen, Toronto, Ontario. Architect: Lipson and Dashin



St. Raphael's Church, Venice, Florida
Architect: Thomas J. Madden, A.I.A.



Waialeale Bowl, Honolulu, Hawaii
Architect: Takashi Anbe, A.I.A.



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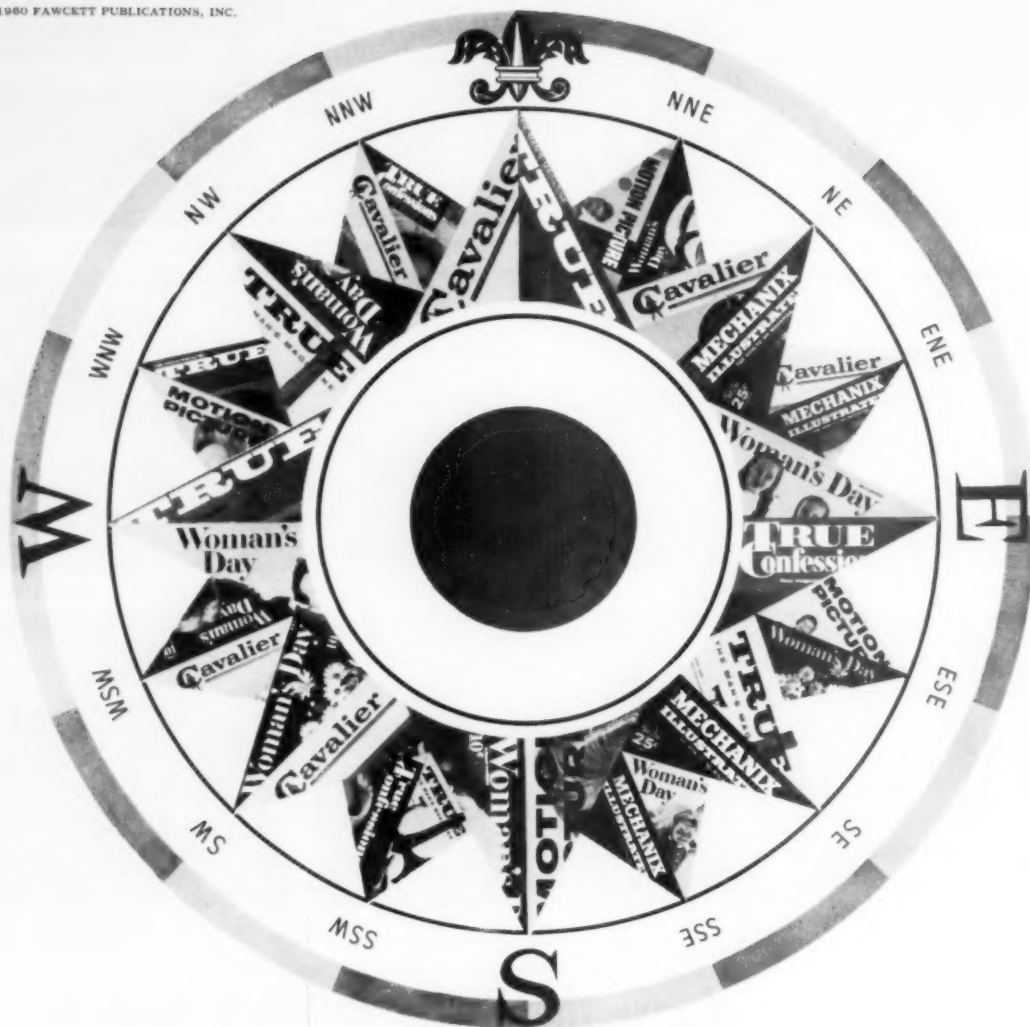
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U.S. Bids for Latin Support

● Pres. Eisenhower outlines a new program of aid to speed up economic development in Latin American countries.

● But Cuba pointedly is left off the list of nations that will benefit.

● Size of program has not been detailed, but it envisages private U.S. investment as well as government loans.

Last week Pres. Eisenhower applied a stick to Castro by cutting Cuba's sugar quota. This week he ordered a carrot for the rest of Latin America—a new aid program that is to be tailored to the growing demand all over Latin America for higher living standards and social reforms.

The President said such a move has been under consideration in Washington for months. But government officials in Washington this week left no doubt the actual announcement was made on the spur of the moment in Newport, as U.S.-Cuba relations worsened (page 34). When Eisenhower said the plan was designed to benefit those nations that "show a willingness to cooperate" with the U.S., he pointedly exempted Cuba.

The President refused to outline dollars-and-cents details of the new aid program, or to say when he would send it to Congress for approval. However, officials in Washington expect it to be submitted to the extra session next month. Then, it is to be presented to the Organization of American States at a conference in Bogota on Sept. 5.

• **The Aims**—The programs will have two broad goals:

- Raising living standards as fast as possible through such basic projects as agricultural development, irrigation, power, housing, education, and sanitation. These projects will require additional public funds on a government-to-government loan or grant basis. Specifically, Eisenhower is expected to ask Congress to boost the U.S. contributions to the new \$1-billion Inter-American Development Bank and to raise the \$700-million budget for the Development Loan Fund.

- Expanding the "national product" of each Latin American nation. This long-range goal will require steady industrial development, diversification, and expansion of exports, with the stimulus coming largely from increased private U.S. investment and trade in Latin America. U.S. commercial banks, and Washington's Export-Import Bank, would provide the financing.

Pres. Eisenhower deliberately refused to outline the program in detail for two reasons. First, Administration foreign economic planners have not yet decided the extent of Latin American needs and desires, let alone how much it will cost to meet them. Nor has it been decided just how to administer the program.

Secondly, the President is faced with a Congressional session in August that will have its eye glued on the political campaign. Washington officials say Eisenhower wants to leave his ideas broad enough so the new President can shape the program as he sees fit.

• **Mixed Reaction**—Initial reaction to the plan was mixed. Privately, several delegates and Latin American officials in Washington accuse the U.S. of "bad timing." They charge the plan would appear a payoff for supporting Washington's anti-Castro position. Brazilian Pres. Kubitschek apparently regards the program as too little and too late, though he immediately hailed the announcement "as something constructive being done toward [hemisphere] unity and understanding."

In fact, our predicament in Cuba means that the U.S. will have a relatively weak hand in negotiating an aid program with the Latin American nations—far weaker than Washington would have had a year ago. As things stand in the Hemisphere today, the recipients have the strongest bargaining position, and that could spell trouble for the donor.

• **Long-Standing Appeal**—The new program is a response to longtime Latin American pleas for an aid program. Recommendations to this effect were made by the 21-members of the OAS in Washington last spring, following Brazilian Pres. Kubitschek's 1958 call for an "Operation Pan America."

The new program also springs from visits of the President's brother, Dr. Milton Eisenhower, and the President himself to Latin America last year. But more important has been the recent feeling of some State Dept. officials that something "had better be done

quick." Among them: Undersecy. C. Douglas Dillon, Asst. Secy. for Economic Affairs Thomas Mann, and Roy R. Rubottom, Jr., his counterpart for Latin American affairs.

Such a program also has been urged by Latin American leaders openly friendly to the U.S.—men like Colombia's Pres. Lleras Camargo and Peru's Prime Minister Pedro Beltran. It is their countries, and others such as Bolivia, which are relatively underdeveloped even by Latin American standards, that will benefit more than, say, Argentina and Venezuela. Brazil, however, is sure to benefit.

• **Uneasiness**—Yet some U.S. officials are uneasy over the plan's prospects for success. One spokesman fears that the program's stress on social and political reform may make it look as if Washington is taking on "too much responsibility" for the most sensitive of Latin American issues. Another bluntly predicts that Latin Americans will expect more than they will actually get.

No one yet has a firm idea of what it will mean—in dollars and cents—to U.S. aid, investment, and trade in Latin America.

Economic aid has run \$100-million annually for the last five years. Best estimates are that this figure, plus the \$750-million U.S. subscription to the Inter-American Bank, will be boosted no more than 25%.

U.S. private investment in Latin America has been growing fast—at a recent annual rate of about \$600-million. (It now totals nearly \$10-billion.) But private investment is not expected to get a quick boost from the new program.

• **Impact on Trade**—The program may have its most far-reaching effects on the U.S. in the trade area. For one thing, it practically precludes pending Congressional moves to boost import duties on lead and zinc, which are important export products for Mexico and Peru. For another, the program opens up the possibility that the Export-Import Bank will liberalize its project loans and exporter credits to Latin America. Together, these have been running at \$156-million a year for sometime.

The new aid program is neither a "Marshall Plan" for postwar reconstruction nor a "Point Four" program of technical assistance. It is a special kind of development program under which the DLF, perhaps jointly with the Ex-Im Bank, will pour more money into basic industrial projects in Latin America. And this, of course, eventually will give U.S. exports a shot in the arm. **END**



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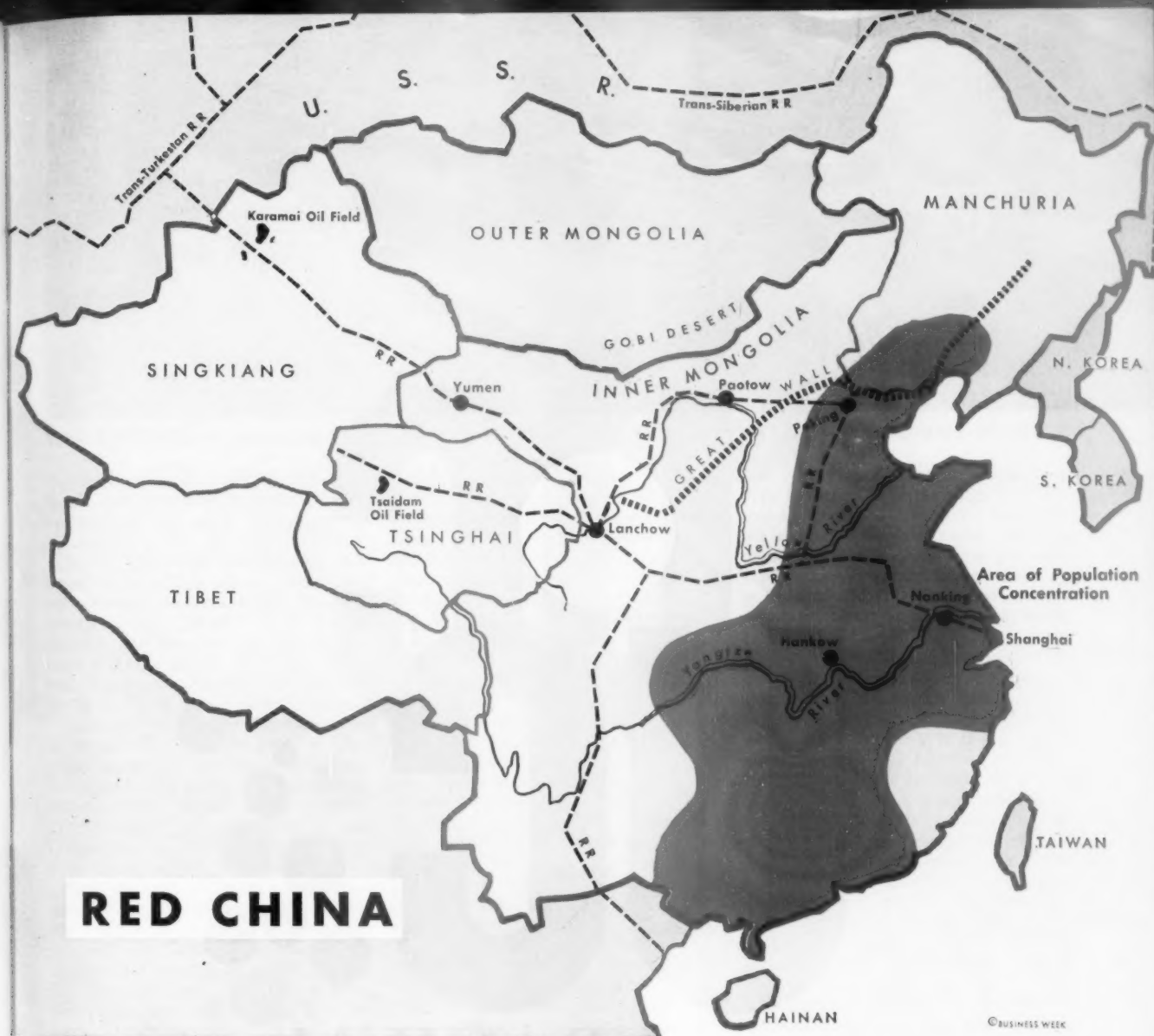
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Symbol of Red China's Drives

City of Lanchow reflects shifts of population, stress on transport, oil, farming. It also mirrors tensions, ruthlessness.

In the "Middle West" of Communist China, near the end of the Great Wall, is a city called Lanchow. Perhaps no city in all China today so reflects the ambitions of the nation's Communist leaders as does this one. The Reds are striving to spread China's 650-million people over a wider area, to industrialize the nation and exploit its natural resources, and to open up new lands for agriculture.

In this "Great Leap Forward," as the

Communists call their program, Lanchow figures prominently:

- In the last 10 years, its population has increased five-fold; most of the gain by immigration from other parts of China.

- Lanchow is the center of a new railroad, road, and air transport system that is penetrating into the outer provinces of Tsinghai, Tibet, Singkiang, and Inner Mongolia.

- Within the last year, Lanchow has put into operation petroleum and petro-chemical complexes and their ancillary industries.

- The Communists claim to have expanded wheat and cotton growing in the region.

Just as Lanchow reflects China's

ambitions, so it reflects China's internal strains and the ruthlessness with which its leaders are driving for economic development. The Chinese capital invested in Lanchow was sweated out of other parts of China and much of the new industrial city is being constructed with regimented labor "communes."

Lanchow also reflects the assistance China is getting from Russia. A good part of the equipment and technicians to install it came from the Soviet Union and its East European satellites. The railroad building will help pull Russia and China closer together.

- **Friction Areas**—The city also indicates some of the strains in the Sino-Soviet alliance. The push into Singkiang and toward Russian-dominated

UC



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our newest atomic fuel, is the latest development in Vitro's nuclear activity. Vitro today produces laboratory quantities of uranium carbide. With the completion of new production facilities, it will be the world's first commercial supplier of this spherical U-C, which offers ideal reactive and heat properties for atomic power reactors. Vitro's current nuclear program starts with mining uranium ore in Wyoming, producing both uranium concentrates in Salt Lake City for AEC and other nuclear chemicals at Chattanooga. Recently, these operations have been expanded to include beryllium ore. Vitro, growing in electronics, chemical development and facilities engineering/management, continues as a leader in nuclear energy.

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VAST EMPTINESS of north-central China is pierced by this 51-mile completed stretch of the 292-mile Lanchow-Paotow railroad.

Outer Mongolia does not sit well with the Soviets, who have covetous eyes on the minerals and oil in those regions.

Lanchow is the gateway to central Asia. It lies astride the ancient Silk Route over which passed porcelains, jade, perfume, and silk to the Mediterranean world. Marco Polo passed through Lanchow on the way to the court of Kublai Khan. When the Arabs and Europeans opened up the sea routes to China, this commerce fell off.

China's 20th century reformers have all thought the reconstruction of Lanchow essential to developing the western regions. But political and economic instability from the fall of the Manchus in 1912 until the ascendancy of the Communists in 1949 prevented them from doing anything about it.

In 1949, most of China's population and over 75% of its industry was concentrated in seven provinces along the seacoast. The Communists set about to change this by spreading inland. So far, they have been only slightly successful. The coastal areas still have 65% of industrial production.

• **Faster Pace**—The pace, according to the Reds, is picking up. Before they took over, Lanchow was a city of 200,000. Today, it holds 1-million. By 1962, the Chinese claim it will have 2.4-million. Hong Kong observers estimate that 95% of the increased population are people brought in from eastern China as workers in the 188 plants that have been built in the area.

Crucial to all the Communist plans is transportation. Before 1952, Lanchow was 215 miles from a railroad. That year, it became the terminus of a route connecting with the railroad network of eastern China. Another line has been built to Paotow, where the Russians are building a 3-million ton steel mill for the Chinese. Still another line, 750 miles long, is being built into the Tsaidam Basin, the site of important new oil discoveries.

• **Singkiang Road**—The most important rail line is now under construction from

Lanchow across Singkiang. It will stretch 1,500 miles across 10,000-ft. mountain ranges and a corner of the Gobi Desert to meet the Soviet Turkestan-Siberian railroad in Russia. The track-laying is about half-completed and the line is carrying crude oil from Yumen to a Lanchow refinery. Eventually, a pipeline will run parallel.

This rail line takes the shortest route between China and Soviet Central Asia. Russian and Chinese shipments will avoid the long detour now necessary through the Manchurian railway system or across Outer Mongolia to the Russian Trans-Siberian Railway. The line is being built under fierce conditions. There are no local sources of food or fuel and the fluctuations of temperature are among the worst in the world.

Lanchow is also a take-off point for Tibet. A truck route that climbs onto the Tsinghai plateau and then wends tortuously across the mountains of Tibet is the supply route of Chinese troops occupying Tibet and moving across the Indian border. Every load of food and ammunition that arrives in Lhasa, Tibet, must travel over a route that covers 2,000 miles of wild country.

• **Flying Base**—Air transport is beginning to use Lanchow as a base. A Lanchow refinery was, in part, constructed with equipment brought in by air from Russia and assembled in the city.

The chief industrial development centering in Lanchow is a petroleum complex. In Lanchow itself, the Russians designed and supplied most of the materials for a refinery, which went on stream several months ago. Its capacity of 1-million tons annually is twice as large as all the rest of China's previous refining capacity. Japanese visitors to the plant say it is indeed a modern plant, although one Japanese businessman says it is about the size and technical level of an "upper middle-sized" Japanese refinery.

The Lanchow petroleum industry is vital to China. Except for oil made from shale in Manchuria, China has

had to rely on Russian oil shipped via Suez to eastern Chinese ports. In 1958, this amounted to 2.3-million tons, taking much of Russia's economic aid shipments, for which China must pay with exports, mostly agricultural products.

• **Karamai Oil**—The Lanchow refinery is processing crude from nearby fields, the Yumen fields, and some from Tsaidam. The Chinese hope eventually to bring crude by rail from the Karamai fields, near the Soviet border. The Russians began exploitation of those fields during World War II but turned them over to the Chinese in 1955. Since the rail line to China is incomplete, this oil is still going to Russia.

In Lanchow, the refinery is augmented by a plant producing oil drilling and refinery equipment. A petrochemical plant has been set up with Russian help to produce fertilizers and, according to Communist claims, will also produce synthetic rubber. There is also an East German-built cement plant. In neighboring regions, the Russians have built seven thermoelectric plants. In 1961, they will complete a 1-million kw. hydroelectric plant.

• **Irrigation**—Agriculture is now being pushed around Lanchow with almost the same intensity as industrialization. The city is situated near the end of China's green area, near the bend in the Yellow River where it turns north. Beyond that is China's famous loess—the dry but fertile loam that has been blowing eastward for centuries, giving the Yellow River plain its fertility. The Communists are trying to keep this soil down by irrigation and claim to have raised the amount of irrigated land around Lanchow from 10% to 30%.

The Chinese say that irrigation and land reclamation are necessary not only to increase farmland but to halt the creeping into arable land of the Gobi Desert, which lies north beyond the loess. The Communists estimate that the desert is advancing four to 50 yards annually. Labor battalions are trying to stop erosion by planting trees. **END**

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Rioting in Katanga Province in Congo Forces Cutback in Mining Operations

Anarchy in the mineral-rich Congo has forced a major cutback in mining operations.

After rioting in the newly independent republic (BW—Jun.25'60,p102) spread to Katanga Province, Belgian-owned Union Minière du Haut Katanga (UMK)—the major copper and cobalt producer—closed down most operations at midweek.

At the same time, Katanga—by far the wealthiest region in the Congo—announced that it would secede from the republic, stating that it would retain economic ties with Belgium. What this meant for UMK and world buyers was unclear. Katanga ranks high as a producer of copper, cobalt, uranium, zinc, germanium, radium, and industrial diamonds.

UMK's decision to halt production immediately hiked copper prices, since its annual production of 276,000 tons is about 7½% of world output.

If the stoppage continues, observers say, UMK's chief copper buyers—Belgium and France—will start looking to the U.S. and Britain. In the past, U.S. companies have turned to the Congo when strikes have shut down domestic mines.

Furthermore, a cobalt shortage may develop since Katanga's production accounted for about 60% of world output and there are relatively few alternate sources. UMK officials hope, of course, that production will be resumed in the near future.

What forced UMK to shut down was not clear at midweek. There were reports that rebel Congo soldiers had murdered a number of UMK officials at mine sites.

The mining company, which employs about 20,000 Africans, had planned to spend more than \$20-million a year over the next 12 years to expand facilities in the Congo. Annual sales have been running about \$200-million.

• • •

Western Oil Companies Try to Block Sale of Russian Crude to India

After refusing an Indian request to refine cut-rate Soviet crude oil, three Western oil companies were trying at midweek to negotiate a new arrangement with the New Delhi government.

The three corporations—Caltex and Standard-Vacuum of the U.S. and Burmah-Shell of Britain—are willing to make concessions that would relieve the strain on India's foreign exchange reserves.

Although the Russians are offering crude at 10% to 15% below world market prices, their big inducement is their willingness to accept payment in rupees, which would be used by Moscow for purchases from India.

Under existing agreements, the Western companies have the right to process whatever crude oil they wish

provided that Indian-produced crude will be refined when available. By making their own crude more attractive, however, the Western companies might take some of the charm out of the Soviet offer.

A precedent for refusing to refine Soviet crude was set in Cuba by Jersey Standard, Texaco, and the Royal Dutch-Shell group. In retaliation, the Castro government seized the refineries. If India takes any action, it is expected to be far more moderate.

• • •

U.S. Company Joins With French to Sell Control Computers in Common Market

Thompson Ramo Wooldridge has set up a Paris subsidiary with two French companies to manufacture and sell industrial control computers in the European Common Market.

The U.S. corporation has 51% interest in the new company, Compagnie Européenne d'Automatisme Electronique, whose initial capitalization is \$1.5-million. French partners are Compagnie Generale de Telegraphie Sans Fil (CSF) and Inter technique of France.

• • •

West Germany's Loan to World Bank Boosts Funds for Foreign Development

The West German Bundesbank, whose foreign exchange reserves have reached \$6.5-billion, is lending the World Bank some \$240-million, half in dollars and half in deutschmarks, which can be converted into any other currency.

With these new resources, the World Bank will have additional funds available for assistance to underdeveloped countries. Moreover, the 12-year loan is being made at 4½% interest. This will enable the World Bank to reduce its interest on loans from 6% to 5½%.

The loan, which is the World Bank's largest borrowing since a 1947 bond issue in the U.S., comes in the wake of U.S. criticism of West Germany for not pulling its weight in foreign development programs.

In the past three years, West Germany has supplied more than half of the \$1.3-billion borrowed by the World Bank.

India is likely to be the first country to benefit by the World Bank's new 5½% interest rate. In a few weeks it will receive a loan of up to \$70-million to finance railroads.

• • •

Yugoslavs Order More Tractors in Canada

Yugoslavia has ordered \$10-million worth of tractors and farm machinery from Massey-Ferguson, bringing the Canadian company's trade with Yugoslavia to \$50-million since 1955.

The order, for 5,900 tractors and a quantity of equipment, calls for delivery before the year's end. In the past five years, Massey-Ferguson has supplied Yugoslavia with more than 15,000 tractors and other machinery.

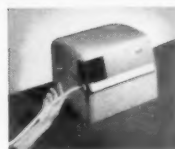


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In maintaining its tradition of quality, Teletype's manufacturing methods play a major role. Specialized machine tools, like the jig grinder shown above, selective heat-treating processes, electronic measuring devices—these are part of a manufacturing technique that insures consistent quality.

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THE MARKETS

Playing the Foreign Money Market

Hans Pirquet, the young man pictured at right, plays a new role in American industry. He works full time as foreign exchange trader for American Metal Climax, Inc.

It's a job that most companies let their bankers do for them. But American Metal Climax, a leading producer and processor of nonferrous metals (1959 sales: \$668-million) with a big stake in business abroad, has trained Pirquet in the intricacies of foreign exchange trading because it wants its own "ear to the ground" in the complex and mercurial international money market.

- **Triple**—Actually, the market that Pirquet has to follow is not one market, but three. And all three constantly interact with each other:

- There's the day-to-day trading in foreign exchange, as companies buy pounds, Deutschmarks, francs, or any one of fifty other currencies to settle routine commercial transactions.

- There's interest arbitrage, which is the shifting of money from one international financial center to another in search of the highest possible interest rates on short-term investments.

- There are long-term capital movements—for example when Americans buy stocks in Germany or Holland, or the City of Montreal floats a bond issue in the New York capital market.

- **Increasing Stake**—Many U.S. companies, even those with reputations for shrewd money management (BW—Apr. 16/60, p. 43), still prefer to keep their cash close to home, rather than get into the swift currents of these international money movements. They feel they'd rather eliminate virtually all risk from their short-term investments, even if that means giving up better yields available overseas.

But an increasing number of U.S. corporations—particularly those with a sizable stake overseas, such as American Metal and Standard-Vacuum Oil—are showing a willingness to take advantage of the higher yields in the international money market. And as U.S. corporate treasurers become more sophisticated in shifting their funds from one financial center to another, the impact of this "hot money" on foreign exchange prices will become more pronounced.

- **Deep in It**—American Metal Climax is deeper into it than most; directly or indirectly, it is involved in all three aspects of the international money market. Much of its copper comes from sterling areas in Africa, so it is buying and selling sterling all the time. It



COMPANY foreign exchange trader is new role, as U.S. companies seek higher yields abroad; American Metal Climax' Hans Pirquet trades \$2.1-million sterling a day.

aggressively seeks maximum return on its short-term investments, and to do this will shift its funds from New York to Toronto or London, wherever the rate is most advantageous. And it has a big equity stake in numerous African mining companies; so it has a big inflow of dividends from overseas.

In all these operations it wants the best possible prices in its foreign exchange trading. It's true that price changes in the foreign exchange market are most often measured in tiny fractions of a cent. But when millions of dollars are involved, these small changes make a big difference.

I. Volatile Market

The international money market is centered in New York, London, and Toronto, and to a lesser extent in Paris, Frankfurt, and Zurich. A big volume of exchange trading among the centers is traditional, but the present market in short-term investments has blossomed only since the end of 1958, when the major European currencies were made convertible. It's a constantly shifting market, as investors—usually sophisticated European bankers—hunt for the highest possible yields on their short-term funds.

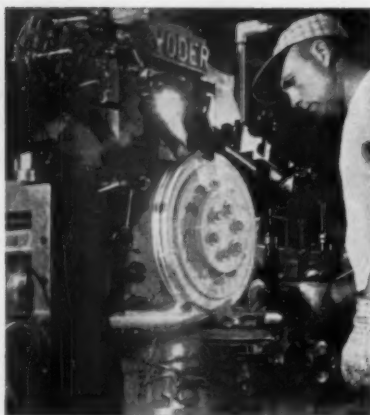
- **Current Flow**—This week the flow was from New York to London and Frankfurt, where short-term money rates are well above the level prevailing in

New York. London sources say it is the largest international money movement since 1957. That was after the British boosted their bank rate to 7% to block a threatened run on sterling following the Suez crisis.

The rapid flow this time follows the boost in the bank rates of both Britain and Germany (from 5% to 6% and from 4% to 5%, respectively), at a time when the Federal Reserve was lowering the U.S. discount rate from 4% to 3½%. The big spread between these rates is what makes shifting funds to the European centers so attractive.

- **Role of Central Banks**—Flows such as this are reflected in the foreign exchange markets, which price each currency in terms of others, according to the balance of supply and demand at the moment. The big central banks of the free world naturally want to keep foreign exchange trading on an even keel, and so they often discreetly intervene in this trading to keep orderly markets in their currencies, and to prevent prices from getting out of line.

Under the International Monetary Fund agreement, currencies have a "par value" that's defined in terms of the U.S. dollar. Most central banks allow the spot—immediate delivery—price for their currency to fluctuate fairly freely within limits of ¼% on either side of par. But if the market price gets too high, then the bank will sell its currency in order to hold down the price. That



Yoder Tube Mills speed tailpipe production at AP Parts Corporation

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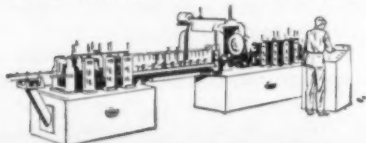
According to Mr. John Grindle, Plant Engineer, the two-man operated YODER Mills are vital to the production of the entire plant. "YODER Tube Mills earn their keep daily. They are easy to set up, maintain and operate... the welds are clean and uniform. We depend on them for constant quality, high production and minimum downtime".

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is what the Bundesbank, the West German central bank, has been doing to keep the Deutschmark at its upper limit of \$2398 1/2.

Conversely, a central bank will intervene and buy its currency if the discount from par gets too great. (The IMF also stands ready to assist countries in case of major foreign exchange crisis.)

• **Traders' Hunting Ground**—There's another side to exchange trading as well—the forward exchange market where trading is for delivery at some specified future date. Here central bank intervention is rare, and prices, because of the greater risk in future trading, move more widely. Part of the buying and selling in the forward market comes from corporations that have contracts for future purchase or delivery of goods, and want to nail down their foreign exchange cost.

The forward market is also the happy hunting ground of the professional foreign exchange speculator—because of the wide price movements—and is widely used to "hedge" international money market investments. By selling forward at the same time that you buy spot, you are protected against a price decline. And when there's an attractive spread in interest rates—as there is between New York and London right now—then the gap between spot and forward rates widens, principally due to forward selling.

II. Tricks of the Trader

Though more and more U.S. companies are getting into foreign exchange trading in one way or another, American Metal Climax is unusual in having its own foreign exchange trader. Many foreign exchange men say the company's international money business could be handled as well by veteran commercial bank foreign exchange traders. That is the way most companies prefer to operate. But American Metal thinks that with its own trader on the job, it can more readily spot key shifts in foreign exchange trading.

Its concern with monetary developments all over the world is an instance of the growing recognition by U.S. corporate financial men that what happens in the City in London can be just as important as gyrations in the Wall Street money market. As more U.S. corporations do business overseas it's clear they will have to keep closer tabs on the whole international money market.

American Metal's attitude reflects this thinking. It has very large holdings in metals companies abroad, and on an average day, Pirquet estimates that he buys and sells about £750,000 in British sterling (\$2.1-million) in addition to a big volume in other "miscellaneous"

currencies. This isn't high in comparison with the over-all New York foreign exchange market, where the volume on a busy day has been estimated as high as \$100-million. But it's a lot for one company.

• **Busy Season**—Right now, Pirquet is busier than ever, because of the Bank of England's hike in its discount rate to 6% in June. The move was made for domestic economic reasons and because Britain's money managers wanted to stem an outflow of their reserves into West Germany.

But it was also important since it emphasized the spread in rates between London and New York.

This week, 91-day Treasury bills sold in New York to yield less than 2.5%, while comparable obligations in London were selling to yield over 5 1/2%.

When you know your way around foreign exchange it's easy to take advantage of this kind of a spread. This is just what American Metal has done. It has bought British Treasuries in quantity—well over \$7-million worth in three weeks.

• **Hedge**—But the operation isn't that simple. To eliminate the foreign exchange risk—in case sterling should decline before the bills mature—the transaction has to be "hedged." This means that once American Metal decided to buy British Treasuries, it had to buy "spot"—immediate delivery—sterling to pay for the bills. Simultaneously, it sold a "forward" contract to deliver on the maturity date of the bills the same amount of sterling—in exchange for dollars—that it invested in the bills. When the British bills mature, funds are simply transferred to the holder of the forward contract, who in turn delivers dollars.

The hedging operation cuts into the yield that American Metal gets on its British Treasuries, since sterling futures sell at a discount of almost 2% from the spot delivery price. But even figuring in the cost of the hedge, American Metal gets over 1% more on the British bills than it could get on similar obligations in New York. And on the amount of money it is prepared to invest, this means a lot.

• **Bagful**—The international money trader has many other tricks in his bag:

• Canadian finance companies have recently boosted the rates that they are willing to pay on open market paper. American Metal is buying 90-day notes of Canadian subsidiaries of General Motors Acceptance Corp. and C. I. T. Financial Corp., which currently pay 4%. This compares with a 3% yield on similar paper sold by the parent companies in the U.S.

• European banks will pay as much as 4% for call money in dollars, and higher rates for dollar time accounts. German banks were blocked



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from paying interest on new foreign deposits when the Bundesbank raised its rate to 5% in early June, but banks in Holland, France, and England are still actively soliciting these funds. According to Vincent Poma, manager of the foreign exchange department at the Bank of America International in New York, an active market exists among European banks in these "Eurodollar" accounts. So far, the biggest suppliers of these Eurodollars are European companies that hold big dollar balances, but aren't satisfied with the rates that U.S. banks pay. Under the Federal Reserve's Regulation Q, banks are limited to 3%.

- **One of the largest U.S. textile companies**, which has a big overseas business, reverses the operation: It is borrowing pounds sterling on a short-term basis in London. The nominal cost of this borrowing is 5½%—well over the U.S. prime rate of 5%. However, when a U.S. company borrows sterling—rather than invests—the discount on forward delivery sterling works in its favor. If you knock 2% off the 5½% rate, and figure in the fact that British banks don't require compensating balances, the net cost of borrowing in England is about 2% less than comparable U.S. rates.

- **Limited**—So far, only a few U.S. corporations are aggressively searching the international money market for attractive investment and borrowing opportunities. Allen Christelow, treasurer of Standard-Vacuum Oil Co., recalls that at a recent American Management Assn. seminar of corporate financial men, very few had ever heard of interest arbitrage, or were aware that there are often attractive opportunities for short-term investment outside the U.S.

Though this reluctance to invest overseas seems to be weakening, particularly as European economies and currencies grow stronger, it doesn't appear likely that very many other U.S. corporations are ready to go so far as American Metal Climax, and put a full-time foreign exchange trader on their staffs. For one thing, seasoned traders are hard to find; for another, the specialized service in foreign exchange that a corporation can get from its bank is hard to beat.

Some banks say that they are willing to operate their foreign exchange at a loss, if necessary, because of the other commercial banking business that it brings in.

III. Current Opportunities

Nevertheless, Alfred J. Stern, who writes a news letter on foreign exchange, goes so far as to predict that by the end of the year "it will be the rare large company that has not participated in this type of transaction (buying British Treasury bills)."

Stern may be overenthusiastic in his appraisal. But the current sharp impact on the foreign exchange market from changes in European interest rates is causing U.S. corporate treasurers to take a harder look at what can be done.

- **Britain's Boost**—For example, shortly before the Bank of England hiked its discount rate from 5% to 6%, spot sterling had dropped below its \$2.80 par price for the first time since January. After the hike, spot sterling jumped up to \$2.8089, a sharp increase for a market that is tightly controlled by the British authorities.

And in the future market, the discount on sterling for delivery in 180 days increased over 70 points. This was because people were buying spot sterling in order to get into British Treasuries, and hedging by selling forward. (A point is equal to 1/100 of a cent.)

- **And Germany's**—In Germany, in spite of the attempt to stem the inflow of hot money—a half-hearted one according to some critics—the situation is similar, though for somewhat different reasons. High interest rates have been a factor in attracting funds, but more important has been that country's persistent, and in some ways embarrassing, trade surplus.

In the first two weeks of June, German gold and foreign exchange reserves shot up an astounding \$200-million; for the whole of 1960 it is estimated that Germany's reserves will go up more than \$2-billion. As a result, the Bundesbank has become an important lender to the World Bank (page 117).

However, the strength in the German reserve position hasn't shown up in the foreign exchange market because the Deutschemerk is already selling at the upper limit allowed under IMF regulations. It is only the persistent intervention of the Bundesbank in selling Deutschemarks that has kept the currency from rising. In fact, earlier this year, when the German banks were shut because of a holiday on a day when other banking centers were open, the DM promptly rose to nearly 25¢. (It's normally held at \$.23984.)

The British, who have been hard pressed by the German trade competition, feel that the DM is "undervalued," and that the only way to stop the flood of reserves to Germany is to increase the price of the DM in relation to the dollar. In spite of repeated denials from German officials—from Adenauer on down—there is a fair volume of buying of German securities by speculators who are betting that the Germans will eventually have to increase the price of their currency. But the German authorities, quite naturally, will be slow to do this, since it would raise the price of German goods in world trade. **END**



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In the Markets

. . .

Stocks Edge Down on Sour News About Second-Quarter Earnings

Stock prices moved lower this week as the economy continued in the doldrums. The first scattered reports of second-quarter earnings showed cuts in profit margins (page 30), and though this was expected by many investors, those stocks whose earnings were sharply lower reacted to the news. Moreover, the relatively few stocks whose earnings are expected to improve have not been bid up.

Though the market clearly reflected signs of nervousness and uncertainty, many institutional investors feel that business will move higher during the balance of the year, and that investors will regain some of their lost confidence.

Many institutions have money available for buying, and if stocks move lower over the short term they appear ready to help put a floor under the market.

. . .

Rises in Sugar and Copper Prices Touched Off by Unrest in Cuba, Congo

Political unrest stiffened prices of copper and sugar this week, but the commodity trade still was in a state of the jitters as to which way prices would jump next.

Sugar prices took off, partly as a result of the Soviet Union's unofficial offer to purchase the 700,000 tons of sugar that Cuba lost in the U.S. under the quota cut last week.

In the world market, raw sugar prices rose to 3.25¢ a lb., up from 3¢ last week. In the U.S. market, prices of raw sugar rose to 6.55¢ duty paid, up from 6.25¢ last week.

In copper, spot (or cash) and futures prices rose early in the week when rebellion broke out in the new Congo Republic, and the big producer, Katanga, stopped production (page 117). Then prices fell back when Katanga issued a back-to-work call, but advanced again when Union Minière du Haut Katanga upped its price in copper shipments to 32.43¢ a lb., delivered New York.

. . .

Large Volume of Corporate Issues Easily Absorbed by Bond Market

The bond market took a substantial volume of new corporate financing in stride this week. This indicates that the major institutional bond buyers are becoming somewhat more pessimistic about the economy—and more bullish on bond prices and the prospects of easier money.

Two negotiated underwritings totaling \$90-million, from American Can Co. and Commercial Credit Co., went out the window.

But in addition, bonds sold at competitive bidding were also being snapped up, in spite of the fact that several issues were admittedly priced on the rich side, by underwriters who were scrambling hard for business. Typical was the \$30-million issue of the Northern Illinois Gas Co., which is non-callable for five years. This is a big attraction for investors when the prospect is for lower interest rates—and it sold to yield only 4.6%.

Wall St. Talks . . .

. . . about touting of electronic companies, runup in recreational field stocks, delisting at Toronto.

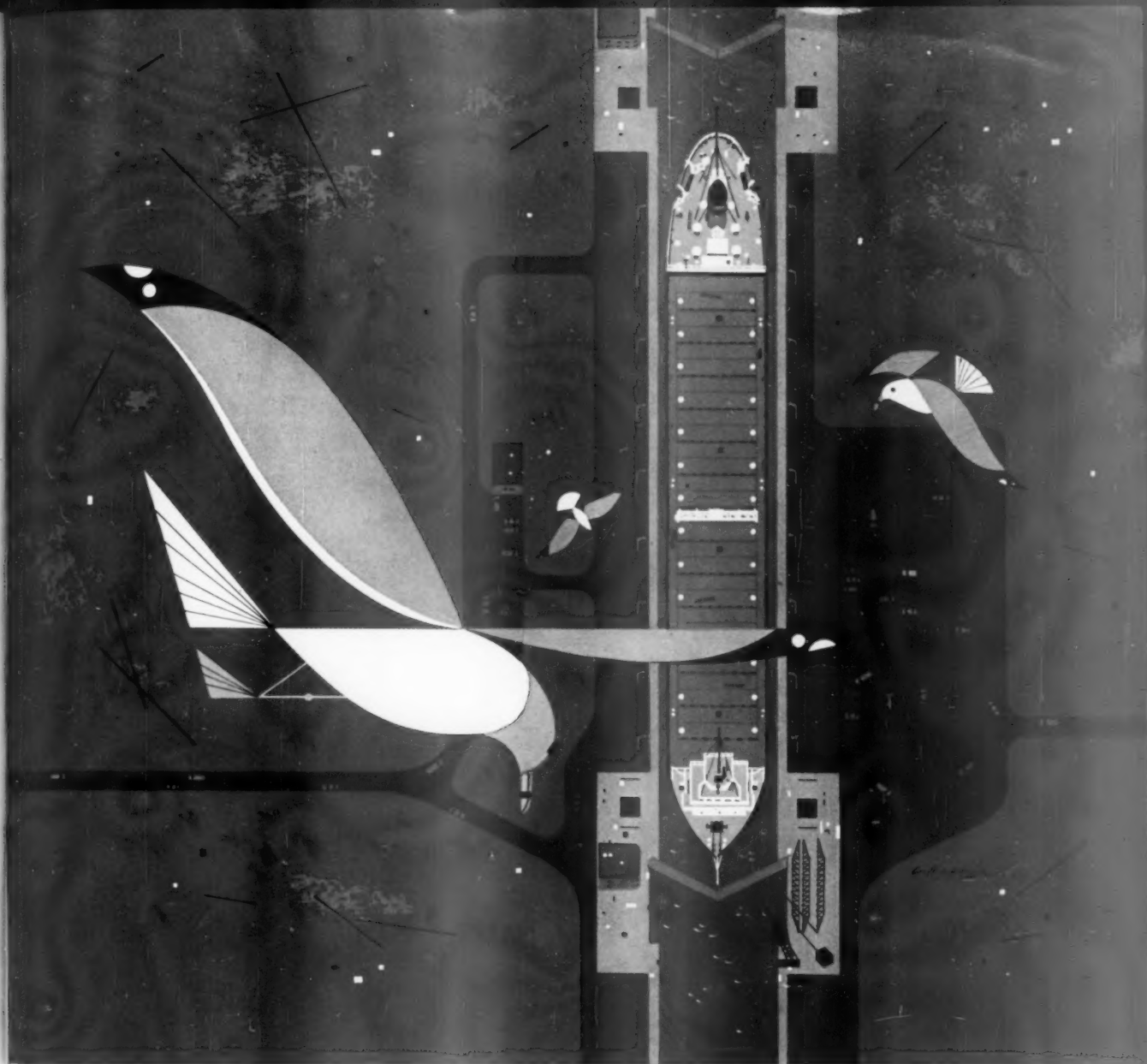
Brokers are talking about an "IBM gang"—a group of individuals, not the company itself—which is creating a lot of activity in over-the-counter electronics issues. Brokers are touting certain stocks in this group on the grounds that they are popular with IBM personnel—who presumably know which companies stand to benefit from the giant company's future purchase contracts—and speculators are snapping them up in the belief that they have IBM's backing.

Coraloc Industries, Inc., which markets a revolutionary do-it-yourself swimming pool, had a runup this week from \$10 to over \$20 (it was originally issued at \$5 a share at the turn of the year, then ran up to \$35 before dropping back). The new buying was based on reports that Empire Millwork Corp., which has control of E. L. Bruce Co. (BW-Mar.12'60,p57), is planning to merchandise Coraloc's pools on a nationwide basis. This would be Empire's first move into the recreational field.

Talk is that at least one big Canadian company wants to delist its stock trading on the Toronto Exchange. The company is upset about trading operations there, as well as the bad publicity that the exchange can't seem to shake. Other companies may follow suit.

Loral Electronics, one of the American Stock Exchange's high fliers (it went from a 1960 low of 34½ to 98 before dropping back to 80), is negotiating for Miami Shipbuilding Corp., a \$1-million-sales company that specializes in hydrofoil boats. Edward Garrett, Loral vice-president, says the deal is not yet signed, mainly because the company isn't sure it should enter the boat business. (Loral's president, Leon Alpert, sold 15,000 shares of his stock to Wellington Equity Fund last month at the then market price of 79½.)

Lockheed Aircraft Corp. this week agreed to modify at its own expense the wing structures of 34 Electras owned by American Airlines. This may well mean the company will foot the bill on all the 136 planes it delivered before two crashes revealed a structural defect. The ultimate cost: \$25-million by Lockheed's own estimates. American, which has been flying the Electra at reduced speed, will pay only nominal costs such as ferrying and test flights.



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A PROGRESS REPORT FROM REPUBLIC STEEL . . .

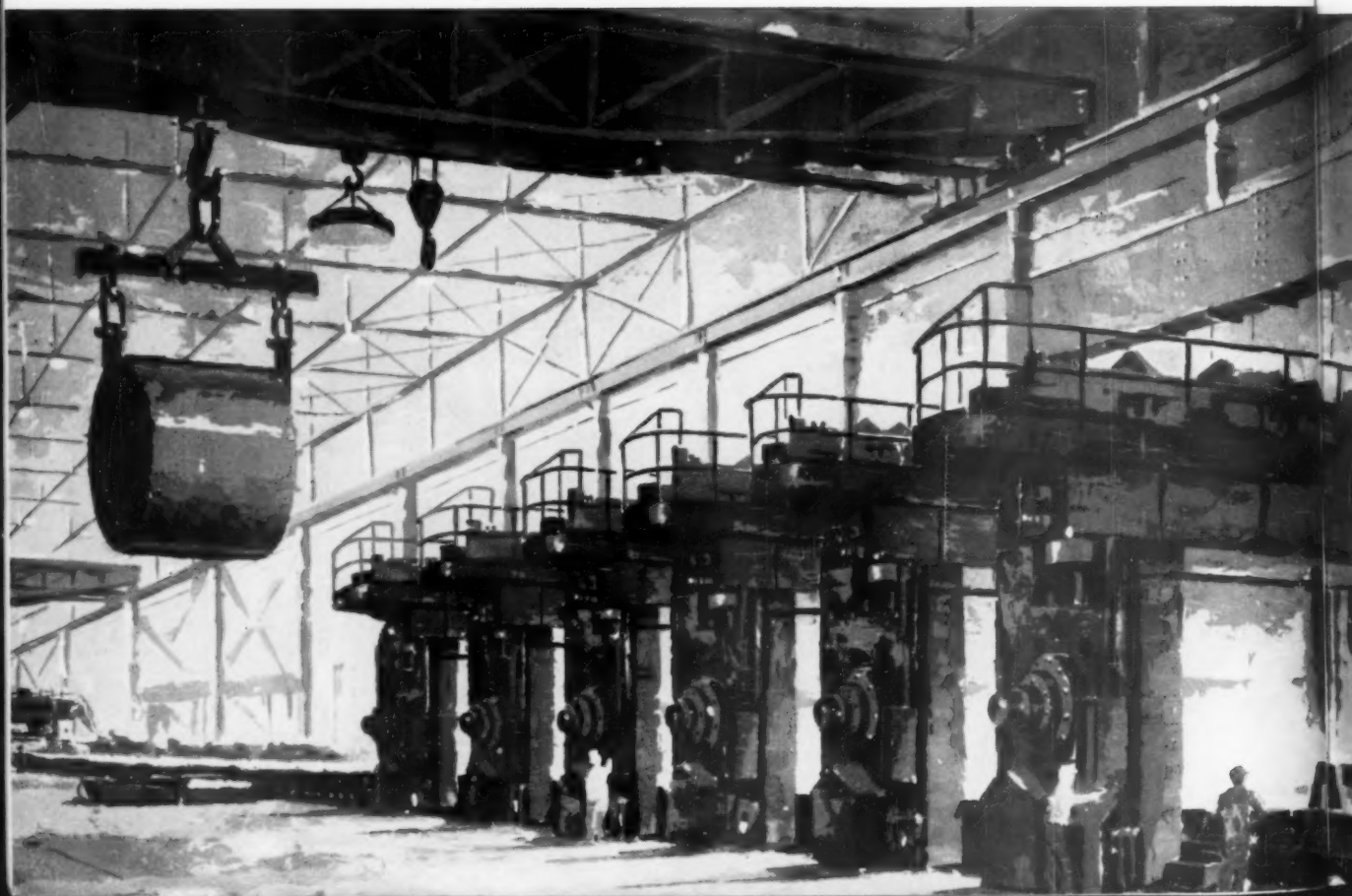
New 56-inch hot mill to roll special grades of high-performance stainless

The new 56" hot rolling mill in Warren, Ohio—first major project in a new capital improvement program—is of particular significance to companies involved in aircraft or missile work. To be completed late in 1960, this new facility is geared to roll special grades of high strength stainless steel now being developed.

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PERSONAL BUSINESS

BUSINESS WEEK

JULY 16, 1960



Are you planning to build a new home?

In picking an architect, many people tend to overlook a point that's becoming more of a factor year by year: Architects have gradually become highly specialized—in that respect, they're about on a par with the lawyers, at least.

This means that after deciding in broad outlines what kind of house you want, you must be careful to select an architect whose work is likely to fit in with your desires. The types can be classified about like this:

First, there are the contemporary specialists (latest to come on the scene, mostly since World War II), who design only ultramodern houses—the kind that either appeal to you tremendously or leave you cold. Here you see much natural wood, great open expanses of glass, simple “clean” lines without the frills of traditional styles, and dramatic features such as the cantilever, the glass wall, and the center-of-the-room fireplace.

Some contemporary specialists imitate the colorful concepts of Frank Lloyd Wright, stressing “closeness to nature.” Others follow the more severe “neo-classical” school, led by Chicago's Ludwig Mies van der Rohe, with the emphasis on formality and simple geometric design. Still others—the individualists—depart the “schools” in favor of their own variations and this group probably does the most creative job of custom tailoring to suit your family.

These three groups of modern designers make up an estimated 25% or 30% of the architects today, with the list fast expanding.

Next are the “traditionalists” (mostly older men), who specialize in creating copies of well-established 18th and 19th Century styles. Some concentrate on American colonials; some are more expert at English styles, some at French, some Dutch, and so on. This group makes up another third or so of the profession today; but realtors and architects alike point out that the seasoned, highly trained traditionalist is fast fading from the scene. The moral here is to treasure the expert—and book him at least a full year in advance.

Finally, there are the compromisers whose work hits about halfway between modern and traditional. You get a crossbreed—it might be called 20th Century American—with some features of the ultramodern and some of the age-old. Here the danger is that you may wind up with a job that is neither fish nor fowl. Top architects advise watching out for haphazard mixing of traditional front exteriors with modern features elsewhere. This combination is often hard to resell; if it's all you want, these architects say you might do better to buy a ready-made house—and save maybe 20% to 40% on cost.

The major advice, of course, is to interview a number of architects, see samples of their work, and make careful inquiries before signing a contract. Here are some practical pointers to keep in mind:

- **Scope of service.** A top “pro” (regardless of his style) does more than just create plans on paper; he will select your contractor (from among bidders), supervise the entire job on the site, and protect you at all times against skimping on materials and slipshod construction. He may even settle disputes between you and your wife over details.

- **Costs.** He'll try hard to be cost-conscious—if you put him on a strict budget. But if you give him much leeway, he's apt to go pretty strong on

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

JULY 16, 1960

indulging his artistic bent to give you the very best, even if this means bigger money than you ever visualized. **A rule of thumb:** If pressed, he usually can tell you the final cost within 10% to 15%. His fee usually will be 10% of total house cost, not counting land. **Warning:** If you drop the agreement midway, you pay the architect to date—it may be wise to have your lawyer check the contract details on this.

• **Your participation.** You'll be in close contact with your architect for at least eight to 10 months; you'll be in his office at least six or eight times, and on the site with him 20 or 25 times—if you're getting your money's worth. **To do a custom job, the architect will need to know your attitudes, moods, and living habits.** For instance, he'll want to know how much you entertain, how big your parties get, how much sports equipment you have to stow, how much time your wife spends in her private niche—plus scores of similar matters. If you're not willing to take the time and trouble for this, you might as well save money and buy a standing house.

• **Timing.** "Pushing" on time is a bad and frequent mistake. Right now, an ideal schedule would be to locate your man this summer, have him help you pick land by fall, and start construction early next spring.

A final suggestion: If you're considering an old house, have an architect inspect it; his fee will be around \$15 an hour—and well worth it.

—•—
A point to check with your physician: **For patients with arteriosclerotic heart disease**, four new drugs that safely lower serum cholesterol are on the horizon. Successful tests of triparanol, which blocks the cholesterol-forming process, and drugs with thyroxin analogues, promising new relief for severe heart cases, were described before the American Therapeutic Society.

—•—
If you've been tempted to try one of the new skin "tanning" preparations, keep in mind that they do not afford the same protection from burn as a tan acquired naturally by exposure to the sun.

Most new preparations are really dyes—with chemicals imparting a temporary color to the outer skin layer. A number do combine the "tanning" chemical with a sunscreen agent, providing some protection; others contain no protective lotion or cream. **While incomplete studies show the new chemical preparations are safe**, some people may be allergic to them, as to any cosmetic, and develop dermatitis. Unfavorable reactions have been known to appear two weeks after application.

—•—
Potpourri: Travel agents report that the recent political riots in Rome probably won't affect tourist business there unless the disorders are protracted (BW—Jul. 2 '60, p93) . . . In its 1960 volume, **Lloyd's Register of American Yachts** lists more than 9,000 craft and several hundred yacht clubs (17 Battery Place, New York 4, \$20) . . . The Italian Line's luxury liner, the 33,000-ton **Leonardo da Vinci**, which has just made her maiden voyage to New York, has 413 first-class accommodations . . . Tips on how to get into college—and stay there—are offered in **E. E. Roberts' Operation I.Q.** (Henry Stewart, Inc., \$2) . . . Over 300 places to hunt are fully detailed in the new **1960-61 National Directory of Public Shooting Preserves** (Sportsman's Service Bureau, 250 E. 43rd St., New York 17, free).

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Mr. John W. Kelley (seated) President of Columbia Gulf Transmission Co., Houston, and Mr. S. Orlofsky, Vice President, examine model of Clark TPV gas engine now installed in their Hampshire, Tennessee compressor station.



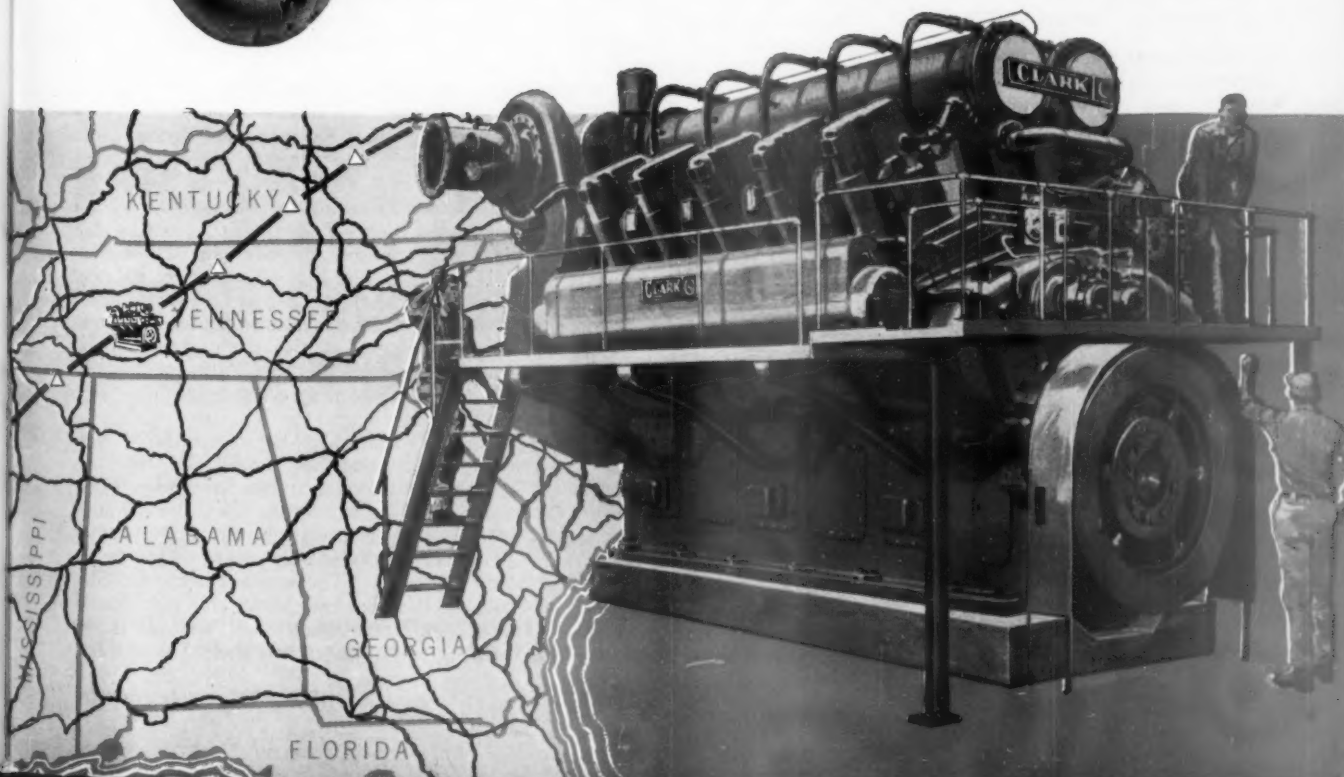
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REGIONS

Legal War on Water Pollution

Federal government's order to Kansas City to stop dumping sewage into Missouri River may set off test case to determine constitutionality of Water Pollution Control Act.

The federal government this month stepped up its fight against water pollution: It ordered Kansas City, Mo., Kansas City, Kan., and 11 of their industries to start treating their sewage instead of dumping it raw into the Missouri River and its tributaries.

With his order, Health, Education & Welfare Secy. Arthur S. Flemming may have brought nearer a court test of the constitutionality of the 1956 Water Pollution Control Act amendments by which Congress strengthened HEW's power to crack down on contamination of interstate waters. This power has not yet been tested in court.

Even if courts hold that HEW is within its rights, enforcement will be a tougher matter than simply sending U.S. marshals to the scene. Somebody may have to figure out what to do when a city council agrees to put in sewage treatment works, but voters reject bonds to pay for them.

- **The Dirty Missouri**—It's no surprise that the crackdown and possible court tests should come on the Missouri. The lower Mississippi or Hudson may be just as filthy, but no other interstate river has more cities tapping it for drinking water that has been fouled above them by the raw sewage of other cities and industries.

- **Tools for HEW**—Congress sought to encourage state action where possible, but for interstate waters it provided a three-step procedure for HEW:

- The Surgeon General calls a conference of the pollution agencies of both the upstream state where pollution originates and the affected downstream state and suggests "remedial action."

- If this suggestion is unheeded, the HEW Secretary names a board to hold a public hearing and sets a time schedule for compliance based on the board's report.

- If the offending city or company does not abide by his schedule, the Secretary asks the Attorney General to bring suit—with the written consent of the offending state or at the written request of the affected state.

This is how cities on the Missouri stack up: Omaha and St. Louis have reached only the first step; Sioux City, Iowa, and St. Joseph, Mo., technically have violated the Secretary's schedule and could be sued; Kansas City, Mo., and Kansas City, Kan., have just had

their hearing and are now under the Secretary's order to comply.

- **Holdout**—Because of its size and its adamant opposition to sewage treatment, Kansas City, Mo., has brought the spotlight on itself with the order. As if the existence of an invisible state boundary didn't complicate things enough, the side-by-side location of its twin city raises more problems because Kansas City, Kan., wants to start treatment—but is waiting for its neighbor.

Together, the two contribute a formidable volume of untreated human, kitchen, and industrial wastes to both the Missouri River and its tributary, the Kansas. Soap suds foam up frequently where creeks flow into them. Vapors rise. Below the packinghouses on the Kansas, the water turns dull red at times, and occasionally embryo calves bob with the current.

As the Missouri flows on toward St. Louis, the effect on drinking water is unmistakable. "We've had to shut down our intakes to let oil slicks and other taste and odor products pass by while we served customers from reserve supplies," said Herbert O. Hartung, vice-president of Missouri Water Co., which serves Lexington. In Jefferson City, the state capital, legislators have had to drink bottled water. Boonville's water plant must use two or three times the normal amount of chlorine to purify the water.

- **Under Pressure**—The order against Kansas City, Mo., is the outgrowth of a long effort by state and federal governments to persuade the city to treat sewage. At first, the city refused to concede pollution. It didn't blink when the state got the Federal Housing Administration and Veterans' Administration to stop backing mortgages for new housing that would add to sewage problems. When the state refused to permit extension of the city's sewer mains without provision for treatment, the city said that it would extend them anyway.

Not until just before the HEW public hearing last month did the city council decide to put any sewage bond issue up to voters. Then the \$20-million issue it did put on the November ballot covered only sewers, no treatment facilities. The proposal barely passed—5-to-4—because Mayor H. Roe Bartle and three councilmen opposed it on grounds that it fell short. Something



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like \$47-million is needed to provide both sewers and treatment.

The proposed issue didn't deter Secy. Flemming two weeks later from ordering the city to make financial arrangements for treatment by May 1, let contracts by 1963. Even if the sewer bonds carry, the city still would have to build treatment works. What, officials asked this week in Washington and Kansas City, could HEW do to get that done? And what if the \$20-million bonds fail?

• **Across the Line**—The same questions are being asked across the state line in the other Kansas City, where officials are ready to go with a \$15-million program that would also include the Fairfax Industrial District, which the city finally annexed not long ago. Kansas City, Kan., is unwilling to move alone. In this, its state officials back it up.

The 11 cited companies are: Atchison, Topeka & Santa Fe Ry., Bio-Laboratories, Inc., General Motors Corp., Kansas City Stock Yards Co., Midwest Cold Storage & Ice Co., National Cylinder Gas Div. of Chemetron Corp., National Laboratories Corp., Phillips Petroleum Co., Procter & Gamble Co., Sinclair Refining Co., and Swift & Co.

Some of them indicated at the hearing they would go along with whatever the cities work out. Others are considering building their own facilities.

• **Holding Off**—The only cities that could set precedent by having suits brought against them are Sioux City and St. Joseph, but it's unlikely that Secy. Flemming will move against Sioux City at least. That city is due to let contracts by September. In St. Joseph, Flemming faces the ticklish case of a city whose officials twice put sewage treatment bonds on the ballot only to have voters reject them. With talk of putting them up again, Flemming is waiting.

In Omaha, voters last May O.K.'d a \$3-million bond issue for sewers, will vote in November on an \$11.5-million issue tied to a tax increase that would provide interceptor sewers and treatment facilities.

In the St. Louis area, the Metropolitan Sewer District (which covers the city and most urban parts of St. Louis County) is waiting for engineers to complete a study next year on the facilities needed to collect and treat its big volume of wastes. Treatment backers were discouraged recently when district trustees left out of the year's budget money to start treatment site acquisition; they adopted a lower tax rate than the one expected to cover it. But HEW is satisfied that the engineers' study is at least on schedule. The real obstacle will come in 1962 when a bond issue is to be voted to pay for the system. It may run as high as \$100-million, and trustees already are planning how to put it over. **END**



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MARKETING



VISITORS to Corning's Glass Center at Corning, N. Y., are asked to give their opinion of the company's products and to offer any suggestions on color and style.

136 *Marketing*

Corning Finds a Market



BUYERS from department stores inspect Corning Ware display at Glass Center. After Aug. 1, the stores must buy through distributors. To launch the line, Corning sold it directly to large stores.

BUSINESS WEEK • July 16, 1960



ELECTRIC percolator and skillet are first two items in new Corning Ware line. Vice-Pres. R. Lee Waterman thinks they will give the company's consumer product sales a big boost.

NON-ELECTRIC housewares made of Corning's new material, Pyroceram, have been big seller since their introduction two years ago. Customer at New York store admires percolator.

a Namesake—and New Profits



Dim the living room lamp, switch on the television set, put on your glasses, rest your cigarette on a crystal ashtray, pour yourself a cup of coffee from the carafe, and, if it's Christmas, go hang an ornament or two on the family tree.

When you do these things, there's a good chance you are using products whose basic function depends on glass made and fashioned into its product shape by Corning Glass Works, although you probably don't know it. Corning is the big upstate New York company that has built an industrial complex on melted sand; its annual sales run just over \$200-million.

Considering the vast consumer market that these and similar products command, it comes as a surprise that Corning's management is not at all satisfied. For the fact is, in this age of the consumer, the company doesn't consider itself a consumer products company—and it's determined to alter that fact.

• **Two New Products**—This week, at the national housewares show in Atlantic City, the trade got its first look

at two products made out of a new material only three years out of the laboratory that Corning fervently believes will carry it further into the consumer end-product market. The two new products are an electric skillet and an electric coffee percolator (pictures) made of Pyroceram, which looks like a fine china. For the past two years, the company has been marketing a line of non-electric housewares made of the same material under the brand name Corning Ware. These dual-purpose utensils can be used directly over flame or electric coils for cooking, then go right on the table as handsome serving dishes. Corning Ware sales have skyrocketed (one estimate for sales this year is \$25-million), but the company believes the market potential for electrical housewares is even greater.

Until a few years ago, Corning was pretty much content to be the accomplished and, in many cases, dominant source of supply for the glass shapes used in a wide assortment of industrial, laboratory, and consumer products. Not that the company had no consumer

PRODUCTION hasn't been able to keep up with orders. Soon all production will be transferred to new West Virginia plant.

can your advertising agency read a blueprint?



These men are not professional engineers. They happen to be some of the highly creative account managers and art directors at our agency who know how to read blueprints.*

Why is this important to a manufacturer of industrial equipment?

Because before an agency can create *resultful* advertising to industrial buyers, it needs to have a thorough grasp of client products and markets—however technical. It needs to have enough technical know-how to understand how these products are made, how they work, and why industry buys them. Only then can an agency serve a client well . . . not only as creative advertising men but as sound *businessmen* who know how to sell to industry.

Marsteller-Rickard is fully staffed with such men.

**Over one-fourth of our account men have technical or engineering degrees; two-fifths have worked as technicians in various industries. A booklet, "Men Who Know Their Business," describes the background of our staff. We'd like you to have a copy.*

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products of its own. Its heat-resistant ovenware, Pyrex, dates back to 1916. And its fine handmade Steuben crystal is world-renowned.

• **Change in Outlook**—But William C. Decker (cover), president and now chief executive officer, says this still leaves Corning heavily weighted on the side of industrial supplier. The last official figure released, for 1957, shows the consumer products division accounting for only 14% of total sales.

In today's economy, Decker thinks a company is far better off if a big part of its manufacturing goes directly into finished goods for the consumer, rather than components for somebody else's production line. Industrial customers are sometimes hard to sell in the first place and fickle later—and this kind of business doesn't fix the company in the public mind as Corning would like.

"I would like to see our consumer business greater than 50% of the total," Decker says.

• **Sales Dependency**—He cites television to make his point about the need for control of your own fate by making end products. Corning was a big benefactor of the birth of the TV industry as one of only two manufacturers of the glass bulbs used to make picture tubes. It also makes bulbs for the electronic tubes inside the sets. In 1947, when the TV industry was just getting established, Corning's total sales were \$61-million. Five years later, they had reached \$126-million, with television bulbs accounting for about half.

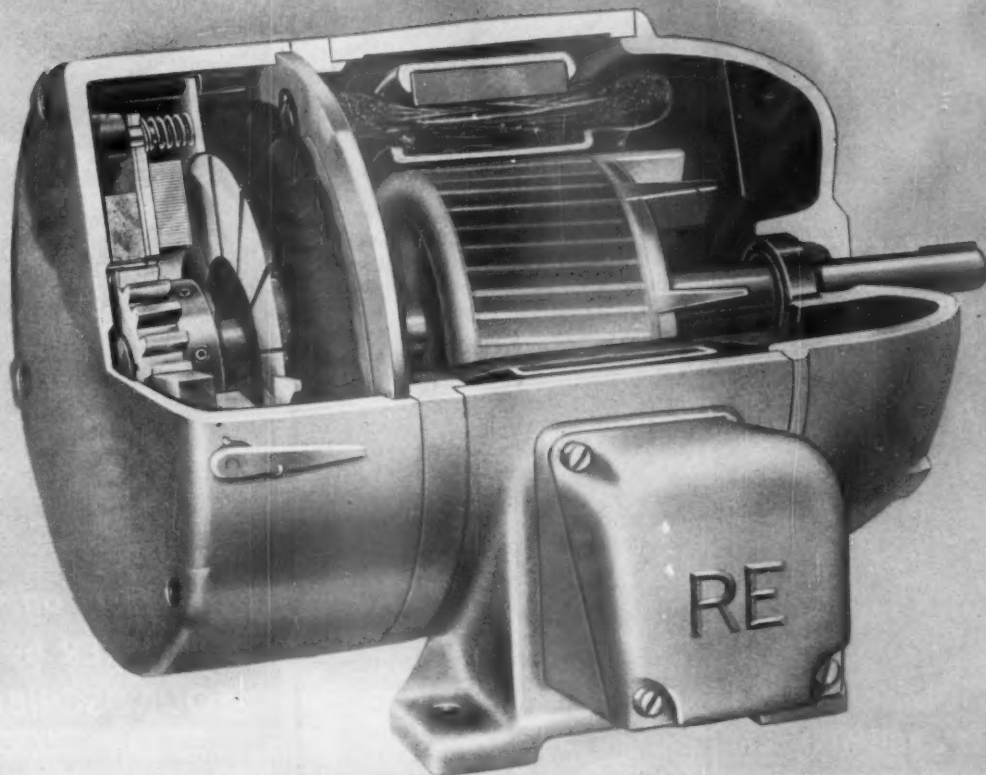
But as the country became saturated with TV sets, sales of sets leveled off—and so did Corning's. From \$149-million in 1953, Corning's sales moved up to \$163-million in 1956, but then slipped back to \$159-million in 1958. Not only had sales of TV sets reached a plateau, but the thriving replacement market for tubes was cut out when manufacturers started to reclaim the glass bulbs of burned out picture tubes.

• **Slow Acceptance**—To spark the markets for its picture tube bulbs, Corning last year introduced improved 19-in. and 23-in. tubes, with special features it thought the trade could merchandise and others that ease production problems for the set makers. But the TV manufacturers were far from enthusiastic about the introduction of the new tube sizes and shapes, although Television Digest, the industry weekly, now reports widespread acceptance. But it took a lot of Corning's time and money to get industry acceptance.

"Assuming we had been making the end product (and we have no intention of doing so), we could have moved a lot faster," says Decker.

• **Unsung Developer**—The same patient product development process that requires selling new concepts and changes to industry applies to other products

REULAND MOTORS



Reuland motor-and-magnetic-brake package

...complete from one dependable source!

Reuland manufactures its own magnetic brakes, as well as electric motors, and offers the most versatile selection of tailored-to-your-equipment *brakemotor* packages available anywhere. Reuland's many hundreds of combinations of H.P., speed, special drive motors and brake sizes, provide an almost unlimited coverage of O.E.M. and user requirements!

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Refer to Sweet's Product Design, Section 5-a

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the company makes. It worked diligently, for instance, with Westinghouse to come up with a new shape for an electric light bulb in an effort to cut the 2-to-1 market lead enjoyed by General Electric, which makes its own glass bulbs for its electric lamps. In many cases, Corning initiates the new products, but has to market them second-hand through some other manufacturer.

• **Profits Picture**—Not that the industrial business isn't profitable, or that Corning intends to put less emphasis on it. As a matter of fact, it has jumped heavily into the electronics components field, making products now for which it formerly only sold the glass. Corning's profits last year amounted to 11.9% of sales and its return on investment was 19.5%. But for growth, Corning still has to depend largely on others, even though it spends almost 3.5% a year—or close to \$7-million—of its sales dollar on research and development.

What Corning people find particularly irksome is that the company's name gets lost in the shuffle even though it makes a big contribution to the guts of many consumer products.

• **Confused Identity**—Even its glass skyscraper on New York's Fifth Avenue, which houses the Steuben showroom on the street floor, is commonly called the Steuben building. And in housewares, the customers ask for Pyrex when they want Corning products.

Both of these are important lines. Steuben is run as an autonomous business more for prestige than for profit; some of the glamor rubs off on Corning. Still, the company feels it isn't getting the market recognition it deserves.

• **Turning Point**—With its new line of Corning Ware houseware the company feels this situation is sure to change.

Corning's decision to expand further into the housewares market was a rich one for its blood. But it fitted perfectly into the plans of its consumer products division, which had restyled and added color to the Pyrex line but was looking for some other way to expand in the housewares field.

• **Happy Discovery**—Actually, the Corning Ware line is an outgrowth of a discovery its researchers made in 1957 for the missile age—a new kind of material that starts out as glass but after heat treatment and the addition of special chemicals ends up as ceramic-like crystalline material. Corning says the material, Pyroceram, constitutes "a whole new family of basic engineering materials" whose potential uses are only just being uncovered.

When the laboratory people introduced the new material at a regular monthly meeting, they asked if anybody had any ideas for using it. R. Lee Waterman, who had come to Corning a few years earlier as vice-president and

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Now, SoundScriber's engineers have perfected the Reporter, a new recording-reproducing system, which not only operates silently and unattended throughout the entire conference, but which provides:

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The Reporter, Conference Recording System, has been tested and proved in American business and industry. Let a SoundScriber Communications representative record your next important conference . . . no obligation, of course. Interested? . . . mail coupon below for free brochure.

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general manager of the consumer products division, didn't hesitate a second. It was just what he was looking for to broaden Corning's housewares line. It had been known for a long time that top-of-the-store cooking utensils were taking an alluringly bigger share of the kitchen market than ovenware. Corning's Pyrex Flameware didn't fill the company's need to tap such a lush market.

Pyroceram, on the other hand, would stand extremes of heat, was good-looking, could be doused in cold water right after it was taken off the hot stove, wouldn't pit and wasn't porous, was the right weight. And it was a distinctive material that could carry its own name—Corning Ware—thus giving the company the identification it had sought.

• **Big Operation**—Pres. Decker simply told the consumer group "the ball is yours." But he wasn't prepared for the kind of promotional and advertising budget Waterman and his people had in mind. "It meant the biggest expenditure by far that we'd ever made," Decker says. As it turned out, to get the kind of production necessary meant building a new plant, too.

"Of course, every time you build a plant it's a gamble," says Decker. "But this was our biggest gamble ever."

• **Market Research Setup**—Fortunately, Corning has a natural setting for wide, deep market research right in its own backyard. To celebrate its 100th birthday in 1948, the company built a Glass Center at Corning, N. Y. Here, to see Steuben glass made, to visit the museum of glass, and to hear symphony orchestras and see summer theatre, some 600,000 visitors come annually. The company also set up a Market Research Opinion Center in one corner of the Glass Center where the hordes of visitors are invited to make written comments on consumer items that the company helps develop for other manufacturers and its own consumer products division.

In addition, Corning has a panel of consumers enabling it to put new products into anywhere from 1 to 500 homes within a 50-mi. radius for tests.

• **Quick Replies**—This close touch with the consumer and Waterman's experience in selling consumer products (he had previously worked for W. T. Grant, Montgomery Ward, Alexander Smith, Inc.) brought quick results in the merchandising of the new Corning Ware. Pyroceram was announced in May, 1957, and by the fall of 1959 Corning Ware was being distributed in 50 states. "From a new basic raw material," says James Bierer, marketing manager for consumer products, "to national distribution of a line of consumer goods in just two years is pretty good, we think."

Waterman and Bierer pulled out all



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those really important jobs... your secretary takes over much of your detail work... you complement each other's productive time.

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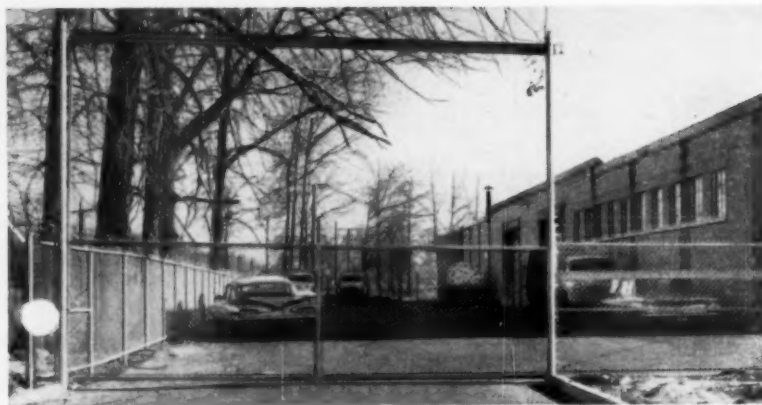
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discourages pilferage ..."**

SAYS EAST COAST BOTTLING COMPANY

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Call your local Anchor office today for a talk with one of Anchor's trained sales engineers. Write for free catalogue to: **ANCHOR FENCE**, 6526 Eastern Avenue, Baltimore 24, Maryland.



Plants in Baltimore, Md., Houston, Texas, and Whittier, Cal. • Sold direct from factory branches in principal cities.

the stops in promoting Corning Ware. "We weren't interested just in selling the distributor or retailer," says Bierer. "We want women to buy."

• **Instant Success**—A partial line of Corning Ware was ready by April, 1958, and within 11 months after laboratory researchers introduced the material to the rest of the company, the new housewares were being sales tested. "It was clear," says Bierer, "we had something by the tail. Sales were 25 times better than our records of many product tests going back for years."

To achieve initial distribution, Corning held 75 meetings with the press, retailers, and wholesalers in 75 days during early 1958. By Sept. 7, the first advertising broke in New England in newspapers and on television. Corning added markets during the fall of 1958—Philadelphia, New York, Los Angeles, San Francisco. Last year, Corning was ready for national distribution. It showed its new line—with two coffee percolators and a larger saucepan added—at the July housewares show. Its 1959 fall advertising campaign included the mass circulation magazines and, for the first time in Corning's history, national network television show.

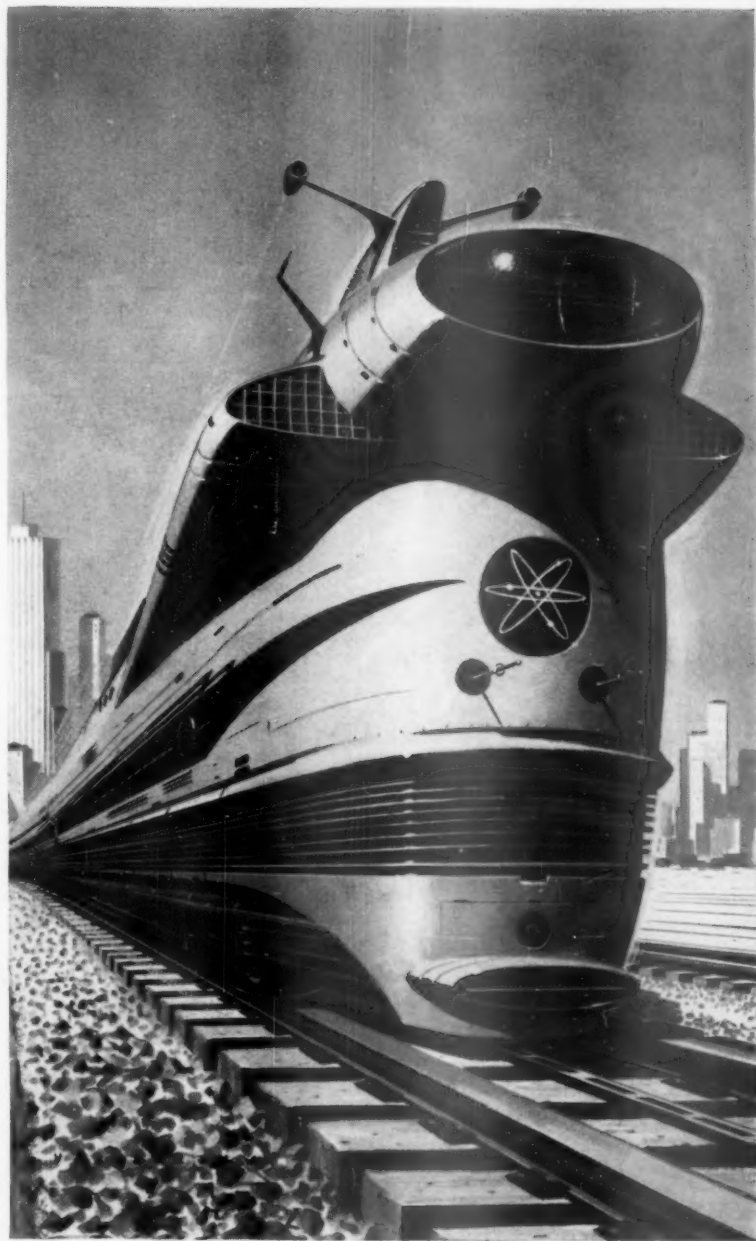
"By December," says Bierer, "we were getting phone calls and telegrams from distributors begging for deliveries." On Dec. 23, Corning ran out of stock and wasn't ahead of the trade until last month, even though extra facilities had been rented for another production line.

• **Rise in Sales**—So far, the squeeze on production, Decker reports, has held down Corning Ware's profit potential, but this is expected to change soon now that the new 240,000-sq.-ft. plant in Martinsburg, W. Va. is getting into production. Eventually, all Corning Ware will be made there. But first-quarter sales this year were \$51-million, compared with \$43-million in 1959, and this certainly can be attributed in part to Corning Ware's glittering success.

• **New Line—And Hopes**—According to the company, the first reaction of distributors to the electrical Corning Ware line is even more encouraging. Corning is telling its customers to handle the electrics as housewares, not appliances. "We have no interest in electrical appliances as such," says Waterman. "But wherever the unique properties of this material will apply, then we will expand the line." Bierer talks of roasting ovens, teapots, highly styled casseroles as possibilities for new electrical uses. Like the standard Corning Ware, says Bierer, the line is also ideal for outdoor barbecues.

One thing seems certain. Corning has gotten off to a fast start in meeting Decker's goal for leavening the company's other manufacturing activities with its own consumer products. **END**

Will atomic energy power tomorrow's railroads?



Some day you may see a train like this—powered by the energy locked up in the atom.

Possibly the locomotive will have its own nuclear reactor. Or perhaps it will use electricity generated at atomic power stations. But this much is certain. Of all forms of land transportation, railroads offer the greatest opportunities for the efficient use of nuclear energy.

Railroads are constantly exploring exciting possibilities like this. Such progressive thinking is important to all of us—for we're going to need railroads more than ever in the boom years ahead.

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Minding our own business

BACKSTAGE AT BUSINESS WEEK

And no mistake. Heard about "Type-Out"? The typist places it over an error, retypes the error, removes "Type-Out," and the error is gone! Last month, Business Week ran a news item about it, naming the New York distributor who sells to corporations. But, alas, we omitted his street address.



Sure enough, a desperate postal clerk phoned. Mail was pouring in, but the Post Office couldn't find this company. Oh, what a shame, replied a sweet editorial secretary—why couldn't they just send the mail over to us? We'd bundle it off to the right party, saving Uncle the addressing chore. "Wonderful!" cried the clerk, and off he went. But he was back on the phone in five minutes. "Young lady," he scolded, "that sort of thing is *illegal*."

So she gave him the street address, and his writer's cramp must be fearsome. We hear the company got nearly 4,500 inquiries in the first two weeks.

More power. Fastest-growing big business in the world is the semiconductor industry, whose products make possible a thousand wonders—from transistor radios to computers to satellites. In



March, we ran a Special Report to Executives about this industry, and in two months we got 4,700 requests for a total of 62,000 reprints. Nicest comment came from a sales executive on an electronics publication: "Astonishingly good. I'd hate to be competing with Business Week."

BUSINESS WEEK

A McGraw-Hill Magazine

You advertise in Business Week when you want to influence management men



NEW PRODUCTS

Manmade Deep Sea Scavenger

The fish down in the depths of Puget Sound off Keyport, Wash.—the site of a U. S. Navy torpedo test range—may be startled soon by a new intruder. Solaris, a 500-lb. mechanical sea monster created by engineers at Vitro Laboratories in Silver Spring, Md., will be prowling around on the ocean floor searching for lost torpedoes.

Guided from a control console aboard a surface ship, Solaris acts like Superman turned skindiver. It can descend to 2,000 ft. and swim around for any length of time. Its "eye," a TV camera in a watertight case surrounded by four 500-watt floodlights, flashes a picture of the deep sea world on the console's screen; this is supplemented by a high-resolution sonar system when the water is too murky.

With a clawlike affair, it can pick up objects as heavy as 7,500 lb. and carry them back to the surface.

• **Electricity**—The vehicle's spherical body houses an electric motor that drives its two propellers, depth measuring equipment and other instruments, and the hydraulic mechanism that moves the claw. Two cables connect it to the ship. One, of 4-in.-thick steel, supports it, and the other contains



transmission lines for power, instruments, and TV.

Though it's building the first Solaris under Navy contract, Vitro would be glad to make them for commercial purposes, too. It says they would be valuable in all kinds of salvage operations and for inspecting channel bottoms and underwater cables.

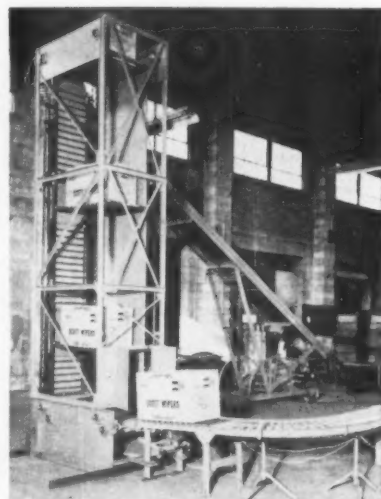
Self-Loading Vertical Lift

A factory representative of Standard Conveyor Co. has designed a self-loading vertical lift that combines the modest floor space demands of a small elevator with the speed and continuity of an inclined belt conveyor. Hugh Sawrie, the inventor of the Escaveyor, as it's called, is head of a manufacturing and sales firm that represents Standard in Tennessee. He built two models at his own plant and sold them before Standard bought the exclusive rights.

The device is operated by four endless chains, running over a complicated set of rollers and carrying cross slats that pull the load aboard as they form a level platform that carries the load to the top. Then the slats fold over one by one to offload the cargo and begin the descent to the starting place in a vertical line that takes up virtually no space.

The machine is tailored to the particular job to be done, with the slats spaced in groups so that they form a platform fitted to the load. As one platform starts the trip up, another starts forming on the horizontal plane at the bottom, ready to take the next load.

The lift can be set up, for example, so that a factory assembly line feeds its



products one by one onto the platforms of the moving slats.

The platforms then ride the chains to the top, unload their passengers as they go over the top roller and start their vertical descent. The operation is wholly automatic.

Standard Conveyor can make Escaveyors to fit almost any lifting job. By



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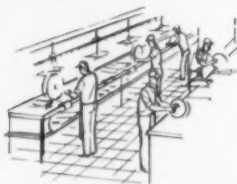
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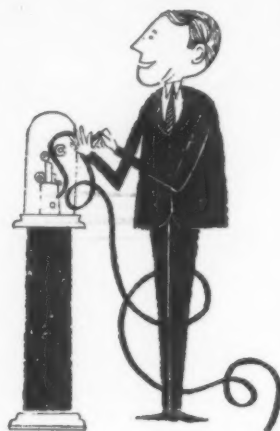
A high-resolution mass spectrometer system that makes it possible to analyze metals and other solids by ionizing them with a radio frequency beam is being produced by Consolidated Electrodynamics Corp., a subsidiary of Bell & Howell Co. The company says it's the first such system to be made commercially available. Cost: about \$100,000.

Goodyear Tire & Rubber Co. announces rubberized sacks for converting dry freight carriers, such as trucks and rail cars, into liquid cargo vehicles. The pillow-like containers come in three sizes; the largest holds 4,500 gal. Transcold Corp. is the distributor... Trailmobile, Inc., is marketing a tank trailer that can carry either liquids or pulverized solids. It uses pneumatic pressure to discharge its load through a flexible hose. The trailer is built by Delta Tank Mfg. Co., a subsidiary of General Gas Corp.

Plastic test panels for guidance in repairing transistor radios have been developed by the Service Div. of Philco Corp. The Trace panels, which are a facsimile of the actual circuitry and components, fit right on the radio chassis. Small holes are punched in the panel at each test point. By working along the panel with a signal generator and probe, the serviceman can do a complete checkup. Philco now makes nine Trace panels to cover its current line of transistor sets.

A process for prefabbing self-parking lots is being licensed to concrete producers by Tishman Research Corp., subsidiary of Tishman Realty & Construction Co. Standard prestressed concrete units are mass produced off-site. Workmen can assemble the units into single-tier lots in a matter of days, multi-story structures in weeks, according to Tishman. These prefabbed components make up a lot: slabs, ramps, columns, railings and curbs, and a modular lighting system.

A new photographic enlarger has light source that scans color negatives, then self-adjusts to produce improved prints. LogEtronic, Inc., of Alexandria, Va., makes the enlarger; Colortronics, Washington, D. C., scanning equipment.

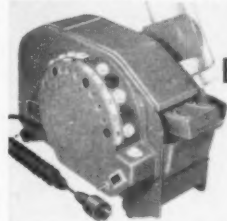


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Why Isn't Money Getting Easier?

The Federal Reserve is facing a dilemma. And the dilemma pointedly raises the question of whether or not the nation's money managers still have the power to perform their traditional role of regulating the nation's credit to promote both growth and stability in the U. S. economy.

Last spring, the Federal Reserve switched from an aggressively restrictive policy to a course aimed at making credit both less expensive and more available. According to classic theory, this should have produced an increase in the money supply—currency and demand deposits in the commercial banks—thereby stimulating economic activity.

The policy switch has not led to an increase in the money supply. On the contrary, both currency and demand deposits have decreased since the Fed began its shift from tight money. Despite the fact that the discount rate has been lowered, prospective borrowers approaching the banks for funds hardly are welcomed with open arms.

This isn't because bankers find it constitutionally impossible to change their spots. In the past, they have usually reacted fairly promptly to any moves toward ease—lowering the prime rate and beating the bushes to find customers for loans.

The present unresponsive attitude of the banks is largely due to the fact that the Fed's relaxation has not provided any surplus of reserves. It has merely relieved the intense pressure they have been under. Bank deposits have not increased, and the ratio of loans to deposits is already so high that banks are reluctant to extend more credit.

So instead of being a clear signal for easier credit, the reduction in the discount rate has served to point out that the orthodox weapons of monetary policy and the Fed's highly orthodox methods of using them are limited in effectiveness.

One reason things aren't working out according to the book is that sweeping changes have taken place in our monetary system. Our static money supply is a result, at least in part, of the enormous growth in non-bank financial institutions—insurance companies, savings and loan associations, pension funds—which engage in many banking functions, including lending and borrowing. It is also due to the new fashion among corporations for keeping bank balances at minimum and investing any cash surplus in the short-term money market.

Both of these developments have kept the money supply from growing because they are outside the banking system. Fed officials argue that the nation's liquidity is not in danger because so much of these non-bank funds are in near-money equivalents. Yet, the very fact that these funds are outside the direct control of the money managers means that the Fed can no longer be certain that its ac-

tion will have the direct influence it is supposed to.

Last year, when Britain's Radcliffe Commission made its exhaustive study on credit, its notion that over-all liquidity must be controlled was pooh-poohed by most American monetary experts. Yet, the Fed is now learning that its direct influence on the banking system does not extend automatically to all parts of the financial world.

It seems clear that the Fed must reexamine its arsenal. If it lacks the weapons it needs to carry out the crucial job of determining just how much growth is needed in the money supply and how to insure that we get that growth, then it should seek additional powers.

The Cuban Threat

Nikita Khrushchev has a well established reputation for bare-faced effrontery. But the Soviet Premier has outdone himself with his latest intervention in U. S.-Cuban relations. A few days ago he publicly assumed the role of protector of the Castro dictatorship, and threatened to unloose Soviet rockets upon the U. S. if at any time, regardless of the provocation, we should intervene militarily in Cuba.

To his credit, Pres. Eisenhower immediately gave Khrushchev a fitting reply. In words that were welcomed by every American as a reaffirmation of the Monroe Doctrine, the President declared there is no room in this hemisphere for a Moscow-dominated regime. No threats, said Eisenhower, would deter us from meeting this latest Soviet challenge.

The matter has not rested there, however. With direct Soviet connivance, the Castro government is taking its case against the U. S. to the United Nations, hoping in the end to get the General Assembly to pass a resolution condemning the U. S.

It should be obvious by now that the Soviet aim is to discredit the U. S. at each and every turn in Cuba. If we try to protect our legitimate interests there, even by purely economic sanctions, we will be labeled aggressors. If we stand still in the face of further confiscation of our property and further verbal abuse, and especially if we acquiesce in any encroachment on our rights at Guantanamo Bay, we will appear in the eyes of the world as a pushover. That would strengthen Khrushchev's drive to undermine our alliances all over the world (page 107).

In a situation like this, our only recourse is a policy of firmness toward the Castro regime. This is at least as important as the new Latin American aid program that Eisenhower has just announced. We must leave no room for doubt about our determination to maintain U. S. rights at Guantanamo. So long as we are there, Cuba will not become a Caribbean outpost of Soviet imperialism.

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